

With 2020-21 done and dusted and the new financial year upon us, there are a number of important superannuation and tax changes that have come into effect. We summarise the legislative implications, some of which may prompt a review of ongoing planning. It is also critical to note that announcements made in the recent 2021 Federal Budget may not be included as the proposals firstly require approval.

Feel free to contact your adviser if you have any queries.

## Superannuation Guarantee (SG)

The most common type of contribution regularly going into super accounts is the compulsory superannuation guarantee (SG). From 1 July 2021, the SG rate has shifted from 9.5% to 10%. The increase in SG usually means that an employee receives more money for their retirement. However, employees who are employed under a 'total employment package' may have their take home salary reduced to offset the increase in SG payments.

## Superannuation Contribution Caps

Contributions made from pre-tax income are known as concessional contributions. The concessional limit rises from \$25,000 to \$27,500 for individuals. Amounts relevant to this category include SG, salary sacrifice and tax-deductible contributions.

The limit for non-concessional contributions increases from \$100,000 to \$110,000. These are contributions using after-tax dollars which are not claimed as a tax-deduction.

For individuals aged 67 or over when making a voluntary contribution, the work test continues to apply in most circumstances.

## Bring-Forward Non-Concessional Contributions

The Treasury has recently confirmed that the three-year bring forward rules can now be used by those aged 65 and 66. Previously this was only allowable for individuals aged 64 or below at the beginning of the financial year. This strategy allows eligible individuals to bring forward up to two years' worth of the non-concessional cap for that income year. The new maximum under this arrangement is now \$330,000 per individual.

Additional rules apply if the total super balance (as at 30 June 2021) sits above \$1.48 million.

## Transfer Balance Cap

The amount of super savings that can be transferred into a retirement phase pension has indexed from \$1.6 million to \$1.7 million. However, this doesn't automatically apply to everyone as this comes down to whether you have moved money into a retirement pension before 1 July 2021. A retirement pension provides tax-free earnings if a minimum pension amount is withdrawn each financial year.

## Temporary Reduction in Annual Pension Minimums

The Government has announced that the reduction in minimum drawdown rates for super pensions has been extended and will apply during 2021-22. The reduction applies to account-based and market-linked pensions. The below table summarises the reduced annual minimum pension payment factors for account-based pensions.

Age at 1 July 2021 (or commencement)	Minimum during 2021/22 (50% Reduced)	Minimum 2022/23 onwards
Under 65	2%	4%
65-74	2.5%	5%
75-79	3%	6%
80-84	3.5%	7%
85-89	4.5%	9%
90-94	5.5%	11%
95 or more	7%	14%

## SMSFs can now have up to 6 Members

Most SMSFs currently have 2 members. Legislation has allowed for an increase to the maximum number of SMSF members from 4 to 6, applicable from 1 July 2021.

## LMITO

Many Australian's would be aware of the Low and Middle Income Tax Offset (LMITO). The LMITO has been extended until 30 June 2022 and applies to those with taxable income up to \$126,000 in the year. The maximum available LMITO is \$1,080 for taxpayers with taxable incomes between \$48,000 and \$90,000.

Taxable Income	Offset
\$37,000 or less	\$255
\$37,000 to \$48,000	\$255 plus 7.5 cents for each dollar above \$37,000 (max \$1,080)
\$48,000 to \$90,000	\$1,080
\$90,000 to \$126,000	\$1,080 less 3 cents for each dollar above \$90,000