CBSW
TAX & BUSINESS ADVISORS

Providing you professional direction

Monthly Information Newsletter – Tax & Super

March 2020

Limited options to access your super early

There are very limited circumstances when you can access your superannuation savings earlier than when you meet what the ATO calls a "condition of release" — which for most people generally means achieving a certain age and retiring.

The other limited circumstances mainly relate to specific medical conditions, severe financial hardship or on compassionate grounds. Also you need to be aware that the ATO is very concerned about "promoters" operating that claim to offer early access to your super in order to, say, pay off a credit card debt, buy a house or car, or go on the holiday-of-a-lifetime. Such schemes are illegal and can attract heavy penalties if you participate.

If, however you find yourself in circumstances that reflect what is spelt out below, it could be possible to get access to your super savings. Note that very strict rules apply, and the outcome is generally never assured.

Access due to severe financial hardship

You may be able to withdraw some of your super if you have received eligible government income support payments continuously for 26 weeks and are unable to meet reasonable and immediate family living expenses.

The minimum amount that can be paid is $1,000 (unless your super balance is less than $1,000) and the maximum amount is $10,000. You can only make one withdrawal from your super fund because of severe financial hardship in any 12-month period.

A super withdrawal due to severe financial hardship is paid and taxed as a super lump sum. There are no cashing restrictions under severe financial hardship if you have reached your preservation age plus 39 weeks and you were not gainfully employed on a full-time or part-time basis at the time of application.

Access on compassionate grounds

You may be allowed to withdraw some of your super on compassionate grounds for unpaid expenses. Examples of these types of expenses include:

- paying for medical treatment for you or a dependant
- making a payment on a loan to prevent you from losing your house
- modifying your home or vehicle for the special needs of you or a dependant because of a severe disability
- paying for expenses associated with a death, funeral or burial of a dependant.

The amount of super you can withdraw is limited to what you reasonably need. Note that if you have already paid the expense using a loan, a credit card or money borrowed from family or friends, you do not meet the eligibility requirements. Generally, you will need to show that you can't afford to pay the expenses without accessing your super (for example, you can't get a loan or use savings).

The amount is paid and taxed as a normal super lump sum.

The tax rates depend upon various factors including age and the components of the super lump sum. Your super provider will automatically deduct the tax from your super account.

Access due to temporary incapacity

You may be able to access your super if you are temporarily unable to work or need to work less hours because of a physical or mental medical condition. This option is generally used to release insurance benefits from a super fund.

Any such payout from a super fund is made in regular payments (income stream) over the time you are unable to work. A super withdrawal due to temporary incapacity is taxed as a normal super income stream.

Access due to permanent incapacity

You may be able to access your super if you are permanently incapacitated. This type of super withdrawal is sometimes called a “disability super benefit”. Your fund must be satisfied that you have a permanent physical or mental medical condition that is likely to stop you from ever working again in a job you were qualified to do by education, training or experience.

At least two medical practitioners must certify this for you to receive concessional tax treatment.

You can receive the super as either a lump sum or as regular payments (income stream). A super withdrawal due to permanent incapacity is subject to different tax components.

Access due to terminal medical condition

You may be able to access your super if you have a terminal medical condition. This will generally be accepted as existing if:

- two registered medical practitioners have certified, jointly or separately, that you suffer from an illness, or have an injury, that is likely to result in death within a period (certification period) that ends no more than 24 months after the date of the certification
- at least one of the registered medical practitioners is a specialist practising in an area related to your illness or injury
- the certification period for each of the certificates has not ended.

Super funds are required to make these payments as a lump sum, which is tax-free if you withdraw it within 24 months of certification.

If your fund does not allow access due to a terminal medical condition, you may be able to move your super to a different fund.

If you are suffering from a terminal medical condition and you have a super credit balance held by the ATO, you can either ask your fund to claim this on your behalf, or you can claim it directly from the ATO yourself.

Super less than $200

You may be able to access your super if your employment is terminated and the balance of your super account is less than $200, or if you have formerly lost super held by a super fund or by the ATO that is less than $200. No tax is payable when accessing super accounts with a balance less than $200.