Monthly Information Newsletter – Tax & Super

November 2022

Superannuation and Retirement

Caps and limits untouched

In a pleasing development, the important superannuation caps and limits were undisturbed, providing all-important investor certainty moving forward. This means that:

- individuals will be permitted to contribute just as much to superannuation as currently under the concessional and non-concessional caps at $27,500 and $110,000 respectively (or up to $330,000 of non-concessional contributions over three years, subject to an individual's total super balance)

- the total superannuation balance (TSB) cap is unadjusted at $1.7 million and indexation continues. The retention of indexation means that the cap will very likely increase by $200,000 to $1.9 million from 1 July 2023. The TSB is relevant when working out eligibility for the following super-related measures:

    - Carry-forward concessional contributions
    - Non-concessional contributions cap and the bring-forward of your non-concessional contributions cap
    - Work test exemption
    - Government co-contribution
    - Spouse tax offset
    - Segregated asset method for calculating exempt current pension income.

- frozen deeming rates will be retained starting at 0.25% until 30 June 2024. The deeming rules are used to work out the income for your financial assets including superannuation. The rules assume these assets earn a set rate of income, irrespective of what you really earn. On 1 July 2022, the deeming rates were frozen for a further two years for all people receiving Centrelink payments, including approximately 445,000 Age Pensioners. Therefore, even though interest rates have increased significantly in 2022 and may do so further, the current deeming rates are sheltered until at least the middle of 2024.

Downsizer age reduction

The government confirmed its election commitment that the minimum eligibility age for making superannuation downsizer contributions will be lowered to age 55 (down from age 60). Legislation in the form of the *Treasury Laws Amendment (2022 Measures No.2) Bill 2022* is currently before Parliament to effect this change. When passed into law (a safe assumption given that this is a bipartisan measure) the reduced age limit will apply from the first day of the first quarter after the day the Bill receives Royal Assent (likely from 1 January 2023). There is no maximum age limit to make a downsizer contribution.

This change will allow individuals aged 55 or over to make an additional non-concessional contribution of up to $300,000 from the proceeds of selling their main residence outside of the existing contribution caps. Either the individual or their spouse must have owned the home for 10 years.

Downsizing will also be incentivized. Pensioners who do so have will have their sale proceeds exempt from the asset test extended from 12 to 24 months. Further, for income test purposes, only the lower deeming rate (currently 0.25%) will apply to these asset test exempt principal home sale proceeds for the 24-month period.

Expanded access to the Commonwealth Seniors Health Card

The government re-stated its commitment to increase the income threshold for Commonwealth Seniors Health Card eligibility from $61,284 to $90,000 for singles and from $98,054 to $144,000 (combined) for couples.

Other announcements

- the SMSF audit cycle will not be expanded to three years. The annual audit requirement remains
- the relaxing of the SMSF residency rules, previously announced in the 2021-22 Budget to commence from 1 July 2022, will now start from the income year commencing on or after the date of assent of the enabling legislation (yet to be introduced). Therefore, SMSF trustees need to ensure that they satisfy the current residency requirements otherwise their fund may become non-complying with severe tax consequences to follow.

Please do not hesitate to touch base with us regarding how any of the above may impact you or your SMSF.