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Superannuation Changes and Opportunities





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Super guarantee (SG) contributions from employers will continue to increase

Currently 10.5% and is set to rise again to 11% on 1 July 2023 to 12% in FY26.

The \$450 monthly minimum threshold before an employer has been required to make super guarantee payments has been removed.



The minimum pension payment 50% temporary reduction to cease

During the COVID crisis, the Government reduced the minimum amount required to be withdrawn from your pension each year to assist retirees conserve their retirement capital.

Reverts to standard minimum drawdown requirement based on age i.e 4% if aged 65.



Removal of the work test for non-concessional contributions

Eligible clients can now make these contributions to super until age 75 (was previously 67).

Example: Client Aged 74 utilised the 'bring forward arrangement' contributing \$330,000 into super with future earnings tax free.



Clients become eligible for downsizer contributions from an earlier age

Age 60. \$300,000 per member of a couple can be added to super when selling your main residence (if held for 10+ years) in addition of any caps.



Proposed Superannuation Changes

The general transfer balance cap will be indexed from \$1.7 million to \$1.9 million on 1 July 2023.

Individuals who start their first retirement phase income stream from this date will be able to hold an additional \$200,000 in pension phase.

If you have not maximised the \$1.7m in pension phase previously you are also entitled to a proportional increase.



Proposed Superannuation Changes

Small business CGT cap increasing to \$1,705,000 (from \$1,650,000)

Allows business owners who have not had the opportunity to contribute to super over their lifetime to boost their super when they sell their business.

The business owner is exempt from paying CGT if they contribute the capital gain from the sale of an active asset to their super fund.



PROPOSED Superannuation Changes

From 1 July 2025, the Government has proposed they will reduce the tax concessions available to individuals whose total superannuation balances exceed \$3 million at the end of the financial year.

Individuals with balances over this threshold would be subject to an additional tax of 15 per cent on the earnings on any balance that exceeds the \$3 million threshold, effectively bringing the headline tax rate on earnings corresponding to that proportion of the balance greater than \$3 million to 30 per cent.



Industry concerns that have been flagged include

- No indexation of threshold
- Taxation of unrealised gains / losses
- No refund if cannot utilise a carry forward loss
- Timing of asset revaluations listed v unlisted assets
- Issues with ability to pay (or not pay)
- Death benefit pensions
- Structured settlements and other "contributions"
- Defined benefit rules



Example

If your total super balance at the beginning of the year is \$4 million, your total super balance at the end of the year is \$4.5 million, it's 15% times that \$500,000 worth of earnings multiplied by that one third proportion, which is the amount your balance is over the \$3 million and that gives you an extra tax under the new proposed rules of \$25,000 for that year.

*Excludes use of carried forward losses, franking credits and other deductions.



What should I do?

NOW

- Spouse Equalisation
- Be patient 30 June 2025 ie. Financial year 2026 with an election prior

FUTURE if implemented

- Supporting the next generation
- Asset allocation changes (less incentive to chase growth in super)
- Investment Structure Planning; use of Family Trust or holding more assets in personal names



3 Surprising Facts about Super

Superannuation is a 'non-estate' asset and does not automatically pass in accordance with your Will.

Passing of superannuation will either be determined by: A binding death benefit nomination; The discretion of the fund's trustee.



3 Surprising Facts about Super

Super passed to Adult Children upon death is TAXABLE – who said Australia doesn't have an inheritance tax!

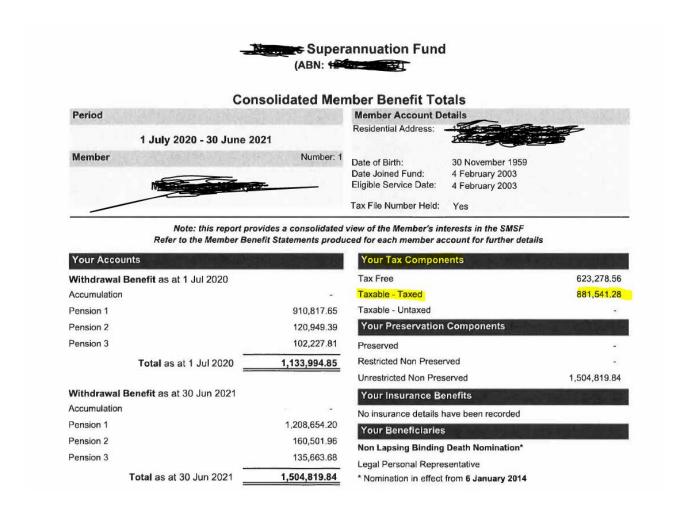
The 'Taxable Component' is taxable at 17%.

Example: \$1,000,000 in super with \$500,000 'Taxable Component'

\$500,000 x 17% = **\$85,000** Tax payable



Self-Managed Super Fund





Retail or Industry Fund

QSuper Accumulation Account Client Summary

Account details

Current day balance: \$838,074.54 @ 06 February 2023		
Preserved: \$838,074.54	Restricted non-preserved: \$0	Unrestricted non-preserved: \$0
Tax-free component: \$40,713.33	Taxable component: \$797,361.21	Surcharge debt: \$0



3 Surprising Facts about Super

Further your SMSF may face a capital gains tax liability upon paying death benefits to a beneficiary outside of superannuation.

Pension tax exemption no longer applies once a member dies – CGT payable at 10% (or 15% if held <1 year).

Example: \$100,000 Gain on CBA Shares Sold in pension - \$0 tax vs \$10,000 tax payable



Any Questions?

