



RICHARDS FINANCIAL

2020-21 Federal Budget Update – Superannuation

The 2020-21 Federal Budget is all about jobs, jobs and jobs. COVID-19 has resulted in the most severe global economic crisis since the Great Depression. This Budget provides an additional \$98 billion of response and recovery support under the COVID-19 Response Package and the JobMaker Plan.

The centrepieces of the Budget are a new JobMaker Hiring Credit for businesses and lower taxes for individuals.

Pleasingly, the Government committed to their election promise that there will be no adverse tax changes to the superannuation system. In addition, for the first time in a number of years, there were no measures specifically relating to SMSFs in this year's Budget.

However, the Government did announce a 'Your Future, Your Super' package to address APRA superannuation fees and poor performances. The four measures in this package are outlined below:

'Stapled' superannuation accounts – A new default system

From 1 July, existing superannuation account will be 'stapled' to a member to avoid the creation of a new account when that person changes their employment. Employers will be required to pay super contributions to their employees existing superannuation fund if they have one, unless they select another fund.

A 'YourSuper' portal

The Australian Taxation Office will develop systems so that new employees will be able to select a superannuation product from a table of MySuper products through the YourSuper portal. The YourSuper tool will provide a table of simple super products (MySuper) ranked by fees and investment returns.

Increased benchmarking tests on APRA funds

Benchmarking tests will be undertaken on the net investment performance of MySuper products, with products that have underperformed facing stringent requirements. Products that have underperformed over two consecutive annual tests prohibited from receiving new members until a further annual test that shows they are no longer underperforming.

Strengthening obligations on superannuation trustees – Large APRA funds

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By 1 July 2021 super trustees of large APRA funds will be required to comply with a new duty to act in the best financial interests of members. Trustees must demonstrate that there was a reasonable basis to support their actions being consistent with members' best financial interests.

This will affect those large APRA funds to ensure they are spending in the best interests of the members, rather than SMSFs.

In addition to previous COVID-19 relief, there are also further economic payments for pensioners

The Government will provide two separate \$250 economic support payments, to be made from November 2020 and early 2021 to eligible welfare recipients and health care card holders.

This includes the:

- Age Pension
- Disability Support Pension
- Carer Payment
- Family Tax Benefit, including Double Orphan Pension (not in receipt of a primary income support payment)
- Carer Allowance (not in receipt of a primary income support payment)
- Pensioner Concession Card (PCC) holders (not in receipt of a primary income support payment)
- Commonwealth Seniors Health Card holders
- eligible Veterans' Affairs payment recipients and concession card holders.

Personal income tax changes brought forward

The Government will lower taxes for individuals by bringing forward its 'stage two' tax cuts that were due to start in July 2022. This means from 1 July 2020, the 32.5% tax rate will apply to incomes up to \$120,000 (previously \$90,000).

In 2020–21, low- and middle-income earners will receive tax relief of up to \$2,745 for singles, and up to \$5,490 for dual income families, compared with 2017–18 settings.

Other announcements and changes

- A deficit for 20-21 of \$213.7 billion (11% of GDP).
- Gross debt is \$872 billion (44.8% of GDP).
- A JobMaker Hiring Credit will give businesses incentives up to \$200 per week per employee to take on additional young job seekers
- Additional \$14 billion in infrastructure projects across Australia over the next four years.

How can we help?

If you have any questions or would like further clarification in regards to any of the above measures outlined in the 2020-21 Federal Budget, please feel free to give me a call to arrange a time to meet so that we can discuss your particular requirements in more detail, or refer to the SMSF Association's trustee education platform, [SMSF Connect](#).

