



# Budget 2016



## Superannuation Reform: Impacts on key groups

Differences in employment arrangements and work patterns mean that some groups may not benefit from consistent compulsory superannuation contributions over their working life. The Government's superannuation package includes a number of measures designed to support more people to save for their retirement.

### Women

Women, on average, have lower superannuation balances than men, despite higher life expectancies. Typically women have lower lifetime earnings due to interrupted work patterns and the fact that more women than men work part-time.

Introducing the Low Income Superannuation Tax Offset will increase the superannuation savings of around 1.9 million women with annual income less than \$37,000.

In addition, the flexibility to make catch-up concessional contributions is expected to allow around 230,000 individuals to make additional contributions in 2019-20, including women who have taken time out of the workforce.

Expanded eligibility will also allow an extra 5,000 individuals to claim a tax offset for contributions to the superannuation account of a low income spouse.

These measures complement the Government's existing superannuation co-contribution scheme, which matches after-tax contributions of low income earners at a rate of 50 per cent up to \$500.

Individuals can also boost their spouse's retirement savings by 'splitting' up to 85 per cent of their concessional contributions each year to their spouse's account.

### Contractors and casual workers

Contractors and casual workers do not always benefit from consistent compulsory superannuation contributions over their working life.

Expanded eligibility will mean that more Australians under 75 (including those aged 65 to 74 who meet the work test<sup>1</sup>) will be able to make tax-deductible personal superannuation contributions to an eligible fund up to their concessional cap, regardless of their employment arrangements.

It is expected that this will improve the superannuation balances of 800,000 working Australians, including those who only earn a small amount of their income in salary and wages, such as self-employed contractors, or those without access to salary sacrifice.

The flexibility to make catch-up concessional contributions will also benefit contract workers whose capacity to make contributions may vary.

The Low Income Superannuation Tax Offset will ensure that around 3.1 million people with annual income less than \$37,000 do not pay more tax on their superannuation than they do on their income.

The Government is also making ongoing improvements to help people find and claim their lost and unclaimed superannuation, which will assist workers who move between different employers and industries over their career.

### Small business owners and farmers

For many small business owners, including farmers, their business represents the main asset they have built up to support their retirement.

Special rules will continue to allow eligible small business owners to make superannuation contributions that do not count towards their non-concessional contributions cap, where the contributions are the proceeds from the disposal of assets exempt from CGT under the 15 year exemption or the retirement exemption.

Contributions made under these special rules are subject to the lifetime CGT cap (\$1.415 million in 2016-17).

More than 95 per cent of farms in Australia were classified as small businesses in 2012-13 (annual turnover of less than \$2 million). This means that most farmers will continue to be able to use the special rules that apply to small business owners.

Individuals who are self-employed may also benefit from expanded eligibility for individuals to claim a tax deduction for personal superannuation contributions up to the concessional cap.

This may also benefit farmers who make withdrawals from Farm Management Deposits and contribute these amounts as personal contributions to their superannuation.

<sup>1</sup> 40 hours in a 30 day period in an income year.