2019-20 Budget

Some positive change for SMSF trustees budgeted

Now that we're on the other side of the 2019-20 Federal Budget, what has changed? Well not a great deal really. We're still in a holding pattern on a number of key issues, espe cially where your superannuation is concerned.

Aside from a forecasted surplus and a sizeable increase in infrastructure spending, this classic 'pre-election' budget did not raise many eyebrows, which is a nice change for us and it did clean up a few areas that had previously been neglected.

- Allowing individuals aged 65 and 66 to make personal super contributions, irrespective of the 'work test' requirement, from 1 July 2020, including the ability to make up to three years of non-concessional contributions under the 'bring forward rule'.

  As it stands, people in this age bracket are required to undertake 40 hours of gainful employment within a 30 day period prior to making any personal contributions. This change will more closely align the contribution rules with the projected Age Pension eligibility age of 67.

- Increasing the age cut-off for people receiving spouse contributions from 70 to 75. This will particularly help older couples who are looking to strategically rebalance their respective super balances or simply looking to maximise their retirement savings.

- Simplifying the process of claiming the tax exemption for funds paying a retirement-phase pension. This includes removing the need to obtain an actuarial certificate for funds in full pension phase for the entire year – an unfortunate anomaly for some funds at present.
  The proposal also gives more flexibility to choosing calculation methods for the tax exemption where a fund has members with both non-retirement and retirement phase interests during the year.

- Promoting efficiency in the super system by moving the ATO away from a paper-based process when it instructs super funds to release benefits under a number of superannuation arrangements. This will be achieved by expanding the capability of the current electronic SuperStream system, utilised for the transfer of money and information between employers, super funds and the ATO.

The big-ticket item for the budget, reducing effective tax rates for low income earners, may also allow retirees to hold a greater proportion of their assets outside of super without adverse tax consequences.

Of note, this budget sets out changes that relate to future terms of office, so with an election pending, and polls in favour of a Labour government, its questionable which (if any) of the changes are actually adopted.

On this theme, we are not likely to see any 6 member SMSFs in the near future, as anticipated, due to the late removal of this legislation, in order to pass other measures contained in the same bill. This is a shame for those who might have been looking to include children in their SMSF.

We've kept it brief for now, but rest assured there will be more to talk about in the next 6 weeks or so.