

2009/10 Federal Budget - super changes

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17 May 2009

The 2009/10 Australian Federal Budget includes a number of significant superannuation measures. In the main, the measures involve a rollback of the simpler superannuation reforms. Accordingly, the changes have not been popular.

Concessional & transitional superannuation contributions

Current	Proposed	Start date
Concessional annual cap: \$50,000	\$25,000	1 July 2009
Transitional annual cap: \$100,000	\$50,000	1 July 2009

The above measures are designed to improve equity in the superannuation system by targeting the reductions at high-income earners. The Government will introduce special concessions for persons who are defined benefit fund members on 12 May 2009. The Government estimates that the changes will save \$2.8 billion over the forward estimates period.

Superannuation co-contribution scheme rate

Current	Proposed	Start date
150%	<p>The rate will be:</p> <ul style="list-style-type: none"> ▪ 100% for 2009/10, 2010/11, 2011/12 income years (maximum co-contribution of \$1,000); ▪ 125% for 2012/13 and 2013/2014 (maximum co-contribution of \$1,250); and ▪ 150% for 2014/15 (maximum co-contribution of \$1,500). 	1 July 2009

This is only a temporary measure which although it limits the ability of workers to maximise their retirement savings, will in the long-term support the sustainability of the pension system.

Age pension age

Current	Proposed	Start date
65 years	67 years	1 July 2017

Reform to the age pension arose out of the Pension Review Report, which was also released at the same time as the Budget. Many Australian seniors who were looking forward to retirement will now have to wait an additional 2 years. The Government argues this change will also support the long-term sustainability of the pension system, and reflects improvements in life expectancy.

Lost super accounts

Two minor amendments are proposed in relation to lost superannuation accounts.

Current	Proposed	Start date
Superannuation funds are required to work out if they have	Superannuation funds will be required to align the treatment of	This will apply to

unclaimed money for each half year and report and pay these amounts to the Commissioner by a set statement date.	lost superannuation with unclaimed money regulations. This will require superannuation funds to work out any unclaimed money on a date set by the Commissioner, and report and pay these amounts by another date also set by the Commissioner.	payments of unclaimed moneys due after 1 July 2009.
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This measure will ensure consistency and efficient administration of the superannuation system, as any 'lost' super will be regulated under a centralised system. Former holders of these lost accounts will still be able to reclaim their money from the ATO at any time. The new measure is expected to result in an estimated gain of \$238 million in revenue.

Current	Proposed	Start date
At present, lost super balances are only transferred to unclaimed moneys when a member reaches the age of 65 and cannot be found by the trustee, or when a member dies and the trustee cannot ensure the benefit is received by the person entitled to receive the benefit.	Superannuation providers will have to transfer lost superannuation accounts with balances less than \$200, or which have been inactive for 5 years and for which there are insufficient records to identify the owner of the account, to unclaimed monies.	Effective from 2010/11 income year.

The new measure will mean that lost super is more quickly transferred and dealt with efficiently. It will reduce the number of small and inactive accounts that funds are required to administer and the related compliance costs.

Account-based pensions and minimum drawdown halved

Current	Proposed	Start date
A minimum payment from an account-based pension must be made at least annually. The amount of the payment is based	The minimum annual drawdown amount for account-based pensions will be halved from the 2009/10 income year.	1 July 2009

on age and varies between 4 and 14% of the value of the pension account balance as at 1 July each year.		
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This drawdown relief for retirees is a positive step as it addresses concerns that the minimum payment requirement for 2008/09 was based on account balances as at 1 July 2008, when equity values were higher. Therefore, it reduces the need for account-based pension holders to sell assets at a loss in order to meet the minimum payment requirement. Hence, the measure will assist super accounts to recover from capital losses.

The measures have an estimated cost of \$10 million over 2 years, and an increase in Government expenditure by \$11 million in pension outlays.

Seniors supplement payment

Current	Proposed	Start date
The Seniors Supplement is currently \$661.40 a year.	The Seniors Supplement payment will be made available to certain self-funded retirees. Self-funded retirees who are eligible for the Senior's Health Card or the Department of Veteran's Affairs Gold card with Seniors Concession Allowance, will be eligible for the annual payment of \$790.40 for singles and \$1,190.80 for couples.	20 September 2009

This measure is a much-needed boost for seniors, given the other cut-backs in the budget.

Future Tax Review

Australia's Future Tax System Review Panel into retirement incomes has released its report, recommending:

- keeping the superannuation guarantee charge at 9%;

- increasing the pension age to 67 years; and
- aligning the age pension with the preservation age.

The Government believes that these recommendations will ensure sustainability over the long-term, so that older Australians can live in dignity through their retirement. Supposedly, the system is adequate, fair and simple. The final version of the report will be released in December 2009.

Trans-Tasman superannuation portability

Current	Proposed	Start date
Portability between superannuation funds only applies with respect to Australian superannuation funds.	Portability between superannuation funds will be extended to cover transfers between Australian and New Zealand superannuation funds.	To be decided.

Australia and New Zealand have agreed to allow the movement of superannuation benefits between certain Australian and New Zealand superannuation funds. However, the final details of the portability scheme are still being settled.

Currently, Australian superannuation fund members can only transfer funds to other Australian funds. This trans-Tasman retirement savings portability scheme is arguably a step in the right direction, facilitating trans-Tasman labour market mobility. It will also enable streamlining and consolidation of personal super accounts split across the two countries, which will mean lower fees and charges.

It is also a positive move towards a single economic market between Australia and New Zealand. The signing of the memorandum of understanding will have an ongoing gain to revenue.