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Budget 2018: what's in it for you?

In the last full Budget before the next Federal election, the Treasurer announced enough sweeteners for everyone, including businesses, income tax relief for individuals, measures to boost superannuation, and help for older Australians. So, what's in it for you?

Businesses

The Government has styled themselves as the champions of business, with already legislated tax cuts for small and medium Australia businesses as well as unincorporated small businesses. While there were no specific tax cuts for businesses in the Budget, the Treasurer said that “the Government remains committed to ensuring that Australian businesses remain internationally competitive and will progressively reduce the corporate tax rate for all companies through the 10-year enterprise tax plan”.

Small businesses will benefit from the Government extending the \$20,000 instant asset write-off for a further 12 months to 30 June 2019. According to the Government, these small businesses will now have additional opportunities to reinvest in their business and replace or upgrade their assets.

Income tax relief

The Government has promised to deliver targeted tax relief of up to \$530 to middle and lower income earners through a new tax offset for the 2018–2019, 2019–2020, 2020–2021 and 2021–2022 income years. This offset will be in addition to the current low-income tax offset and is expected to provide over 10 million Australians with tax relief.

In addition to this relief, the Government will increase the top threshold of the 32.5% tax bracket to \$90,000 from 1 July 2018. In a feat of forward planning, from 2022–2023 the top threshold of the 19% tax bracket will be increased to \$41,000 with the low-income tax offset to be increased to \$645. According to the

Government, these changes together will mean that taxpayers permanently receive tax relief.

Superannuation

In the Budget, the Government announced measures to ensure that Australians keep more of their super, including:

- giving the ATO capacity to actively reunite Australians with their lost and inactive superannuation;
- capping certain superannuation fees at 3% for accounts with balances of less than \$6,000;
- banning superannuation exit fees, to make it easier for Australians to consolidate their superannuation; and
- tailoring insurance arrangements to ensure that they are opt-in rather than opt-out.

Older Australians

The Government has tried to please both pensioners and self-funded retirees with the following measures announced in the Budget:

- expansion of the pension loans scheme to those on the full pension and self-funded retirees to give them the option to boost their retirement income. Full pensioners will be able to increase their income by up to 50% of the Age Pension.
- expansion of the pension work bonus which will allow age pensioners to earn up to \$300 per fortnight (up from \$250) without reducing their pension payments. The bonus will also be extended to self-employed individuals who will be able to earn up to \$7,800 per year.
- exemption from the superannuation work test for those aged 65–74 who have superannuation balances below \$300,000.
- standards of living in retirement will be boosted and retirees will have greater choice in how they

receive their superannuation through the Government's retirement income framework.

Have questions?

Do you want to find out more about how this Budget affects you and your future? Contact us to talk about how we can help.

When is early release of super legal?

Contrary to what promoters of illegal early access to superannuation may say, you cannot simply withdraw your super early to pay for a holiday or buy a car. There are rules that govern when super can be accessed, and usually access can only be obtained at retirement or in exceptional circumstances (compassionate grounds, severe financial hardship, terminal medical condition, and temporary or permanent incapacity). Be very wary of any individual or company purporting to allow you to access your super early when you're not experiencing those exceptional circumstances.

Most people know that superannuation cannot be accessed until retirement or in exceptional circumstances. Unfortunately, though, confusion about what exactly counts as "exceptional circumstances" has allowed unscrupulous operators to promote illegal schemes to access super early to pay for a holiday or buy a car.

Exceptional circumstances that allow you to access your super early broadly fall into four categories: compassionate grounds, severe financial hardship, terminal medical condition, and temporary or permanent incapacity.

Compassionate grounds

This category of "exceptional circumstances" includes the need to pay for medical treatment for yourself or a dependant, to make a payment on a loan to prevent you from losing your home, to modify your home or vehicle for special needs of yourself or your dependant due to severe disability, or to pay for expenses associated with a death, funeral or burial. The amount of super that can be withdrawn is limited to what is "reasonably needed".

Severe financial hardship

This "exceptional circumstances" condition may be satisfied if you have received Australian Government income support payments continuously for 26 weeks and are unable to meet reasonable and immediate family living expenses. The maximum amount that can be accessed is \$10,000 at a time, and you can only make one withdrawal from your fund due to severe financial hardship in any 12-month period.

Terminal medical condition

Early access to super may be allowed if you have a medical condition that is "likely to result in death within the next 24 months". The medical condition and prognosis will need to be certified by two different medical practitioners. One of the medical practitioners must be a specialist in an area related to the illness or injury. If you're accessing your super early due to a terminal medical condition, you should be aware that not all super funds allow for these types of payments. Where your fund doesn't allow for early access due to this condition, you may be able to roll over your super into a different fund which allows for these types of payments.

Temporary or permanent incapacity

Temporary incapacity relates to physical or mental medical conditions which render you temporarily unable to work (or only able to work limited hours). You will be able to receive the super in an income stream over the time you are unable to work.

Permanent incapacity is also referred to as a "disability super benefit". This condition is met when the trustee of the super fund is satisfied that you have a physical or mental condition that is likely to stop you from ever working again in a job you're qualified to do by education, training or experience. If you would like to receive concessional tax treatment of the early release of super, at least two medical practitioners must certify your condition and prognosis.

Want to find out more?

Unless your circumstances fall into one of the four exceptional circumstances categories or the balance of your super account is less than \$200, you will not be able to access your super until you retire. Be very wary of any individual or company saying they can allow you to access your super early when you're not experiencing exceptional circumstances. If you go ahead and withdraw your super illegally, you could be hit with a range of penalties and interest charges or even a jail term depending on your involvement.

Are you going through a tough time and need early access to your super? We can help you identify the best option for your circumstances. If you've been contacted by or have inadvertently become embroiled in an illegal early release of super scheme, we can also help you to get the best outcome with the regulatory authorities.

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