



Budget 2016



Superannuation Reform:

Improving access to concessional contributions

The Government will improve the flexibility of the superannuation system by allowing more people to make tax-deductible personal superannuation contributions to an eligible fund up to their concessional contributions cap.

The issue

Currently, an income tax deduction for personal superannuation contributions is only available to people who earn less than 10 per cent of their income from salary or wages.

This means those who earn a small amount, but more than 10 per cent, of their income in salary and wages are restricted from receiving tax concessions on their retirement savings. It similarly means that some employees are prevented from fully accessing the

tax concessions simply because their employer does not allow them to make pre-tax contributions through salary sacrifice.

This change will allow all individuals under 75 to make concessional superannuation contributions up to the concessional cap (including those aged 65 to 74 who meet the work test). Individuals who are partially self-employed and partially wage and salary earners – for example contractors – and individuals whose employers do not offer salary sacrifice arrangements, will benefit from these changes.

The details

From 1 July 2017, the Government will allow all Australians under 75 who make personal contributions (including those aged 65 to 74 who meet the work test) to claim an income tax deduction for any personal superannuation contribution into an eligible superannuation fund. These amounts will count towards the individual's concessional contributions cap, and be subject to 15 per cent contributions tax.

To access the tax deduction, individuals will lodge a notice of their intention to claim the deduction with their superannuation fund or retirement savings provider. Generally, this notice will need to be lodged before they lodge their income tax return. Individuals can choose how much of their contributions to deduct.

Certain untaxed and defined benefit superannuation funds will be prescribed, meaning members will not be eligible to claim a deduction for contributions to these funds. Instead, if a member wishes to claim a deduction, they may choose to make their contribution to another eligible superannuation fund.

This more flexible arrangement will benefit all Australians by allowing them to utilise more of their concessional cap if they have the capacity and choose to do so.

Budget impact

This measure is estimated to decrease the underlying cash balance by \$850 million over the forward estimates.

Cameo – Chris

Chris is 31 and decides to start his own online cricket merchandise business. While he gets his business up and running he continues working part-time in an accounting firm where he earns \$10,000. In his first year his business earns him \$80,000. Of his \$90,000 income he would like to contribute \$15,000 to his superannuation account.

Under current arrangements, Chris would not be eligible to claim a tax deduction for any personal contributions. While his employer allows him to salary sacrifice into superannuation, he is limited to the \$10,000 he earns in salary and wages.

Under the new arrangement, Chris will qualify for a tax deduction for any personal contributions that he makes (up to his concessional cap).

Chris makes a \$15,000 personal contribution and notifies his superannuation fund that he intends to claim a deduction. He includes the tax deduction as part of his tax return.