

Budget 2021 – Revenue

Superannuation overview

The removal of the \$450 threshold for payment of Superannuation Guarantee (SG) payments is welcome. However there is a missed opportunity for further reform, including requiring that superannuation is payable on paid parental leave.

There is a risk that the extension of the First Home Super Savers Scheme will increase home prices in an overheated housing market and the extension of the Downsizer Superannuation Contribution will be of most benefit to more wealthy older Australians.

Longer term areas of reform include addressing the Gender Pay Gap to equalise male and female lifetime earnings and the generous tax concessions for superannuation that favour high balance accounts.

There has been no pause in the scheduled increase in superannuation guarantee payments from 9.5 per cent to 10 per cent from 1 July 2021. We note that while the higher rate of the SG will increase the long-term superannuation balances of women, workers who are not covered by an enterprise agreement or contract that guarantees the SG is paid on top of wages may see a cut in their take-home pay after the 1 July.

Superannuation

The Budget

Removing the \$450 per month threshold for superannuation guarantee eligibility

Receipts (\$m)	2020-21	2021-22	2022-23	2023-24	2024-25
Australian Taxation Office	-	-
<i>Related payments (\$m)</i>					
<i>Australian Taxation Office</i>	-	2.0	4.8	13.8	10.9

2021-22 Budget Paper No 2, p. 26.

The Government will remove the current \$450 per month minimum income threshold under which employees do not have to be paid the superannuation guarantee by their employer. This measure is expected to be in effect by 1 July 2022.

Early release for victims of family and domestic violence

The Government will not proceed with a measure to extend early release of superannuation to victims of family and domestic violence. This has been replaced by funding a grant to survivors of family violence (see Reducing Violence against Women and their Children).

Improving the Visibility of Superannuation Assets in Family Law Proceedings (Not New Measure)

This measure was announced as part of the 2018 Women's Economic Security Statement, but has not yet been enacted. The Government will shortly introduce enabling legislation to ensure that the Family Law Courts have access to information held by the ATO to allow superannuation assets to be readily identified during family law proceedings. Allowing the ATO to provide this information to the Courts will ensure more just and equitable superannuation splitting outcomes.

First Home Super Saver Scheme — increasing the maximum releasable amount to \$50,000

Receipts (\$m)

	2020-21	2021-22	2022-23	2023-24	2024-25
Australian Taxation Office	-	-6.0	-6.0	-6.0	-7.0

2021-22 Budget Paper No 2, p. 17.

First Home Super Saver Scheme — technical changes

Receipts (\$m)

	2020-21	2021-22	2022-23	2023-24	2024-25
Australian Taxation Office	-	-	-
<i>Related payments (\$m)</i>					
<i>Australian Taxation Office</i>	-	14.5	4.3	2.2	1.4
<i>Department of the Treasury</i>	-	0.1	-	-	-
<i>Total — Payments</i>	-	14.6	4.3	2.2	1.4

2021-22 Budget Paper No 2, p. 17.

The Government will increase the maximum releasable amount of voluntary concessional and non-concessional contributions under the First Home Super Saver Scheme (FHSSS) from \$30,000 to \$50,000. Access will continue to be limited to voluntary contributions, ie amounts paid into superannuation in excess of the required superannuation guarantee; and capped at \$15,000 pa. These measures are expected to take effect from 1 July 2022.

The technical changes will simplify the process of accessing this amount by addressing the consequences of errors on the FHSSS application. The ATO or the applicant will be permitted to amend or withdraw an application with the money returned to the superannuation fund.

Flexible Super — reducing the eligibility age for downsizer contributions

The Government will reduce the eligibility age to make downsizer contributions into superannuation from 65 to 60 years of age. This measure is expected to take effect from 1 July 2022.

The downsizer contribution allows people to make a one-off, post-tax contribution to their superannuation of up to \$300,000 per person from the proceeds of selling their home. Both members of a couple can contribute in respect of the same home, and contributions do not count towards non-concessional contribution caps, which will be indexed to \$330,000 over three years with effect from 1 July 2021.

This measure will allow more older Australians to consider downsizing to a home that better suits their needs, thereby freeing up the stock of larger homes for younger families.

This measure is estimated to result in a negligible decrease in receipts over the forward estimates period.

Flexible Super — repealing the work test for voluntary superannuation contributions

Receipts (\$m)

	2020-21	2021-22	2022-23	2023-24	2024-25
Australian Taxation Office	-	-	..	-10.0	-20.0
<i>Related payments (\$m)</i>					
<i>Australian Taxation Office</i>	-	1.4	1.3	0.3	0.2
<i>Department of the Treasury</i>	-	0.3	0.2	-	-
<i>Total — Payments</i>	-	1.7	1.5	0.3	0.2

2021-22 Budget Paper No 2, p. 19

Currently a person who is over the age of 67 who makes non-concessional contributions, ie voluntary after tax contributions, must meet a work test. They must have worked at least 40 hours over a 30-day period during the financial year. This test will be removed for individuals aged up to age 74, subject to existing contributions caps. This measure is expected to take effect from 1 July 2022.

Technical and Administrative Changes

• Self-managed Superannuation Funds — legacy retirement product conversions

Self-managed superannuation funds will be allowed to convert certain legacy pension products to more contemporary retirement products. There will be a 2 year period to make the conversion. This measure will ensure that retirees can access the whole of their retirement funds. The Government expects an increase in payments of \$24.4 million over the forward estimates period due to the different treatment of some products under Centrelink means tests.

• Self-managed Superannuation Funds — relaxing residency requirements

Currently if the trustee/member of a self-managed superannuation fund or a small APRA fund is a non-resident for more than 2 years the fund is treated as a non-resident fund, and the member is a non-active member who cannot make contributions to superannuation. The period that a

member can be a non-resident will be extended to 5 years. The effect of this change cannot be quantified.

- **Transfer of superannuation to the KiwiSaver Scheme**

The ATO will be provided with funding to ensure that unclaimed superannuation in respect of New Zealanders working in Australia can be transferred to Kiwisaver, the NZ retirement savings plan.

- **Stronger Consumer Outcomes for Members of Superannuation**

The Government will provide \$11.2 million over four years from 2021-22 (and \$3.1 million per year ongoing) to support stronger consumer outcomes for members of superannuation funds by providing additional \$9.6m funding to APRA and \$1.6m to Super Consumers Australia.

Gender implications

Why is this an issue for women?

Women retire with less superannuation than men, and are more reliant on the Age Pension in retirement. They also live longer than men. This gap is reducing as the superannuation system matures, as women in the workforce prior to 1994 were less likely to have superannuation coverage than men.

In July 2020 the [Final Report of the Retirement Income Review](#) (the Review) was published. It detailed the Gender Superannuation Gap between men and women. In 2017-18 women retired with 22 per cent less superannuation than men. The main driver of the gender superannuation gap is the gender pay gap: women earn less over their lifetime. The reasons include career breaks to care for children and other family members; higher rates of part time work and lower pay in feminised industries ([KPMG, 2019](#)).

The Review identified a number of structural issues within the superannuation system that could reduce the Gender Superannuation Gap (at p. 285).

- Removal of the exemption from superannuation guarantee for wages that are less than \$450 per month. This exemption dates back to 1994 when the superannuation guarantee was introduced.
- Removal of the exemption from superannuation guarantee on paid parental leave. This includes paid parental leave paid by employers unless it is covered in the relevant Enterprise Agreement ([ATO Superannuation Guarantee Ruling SGR 2009/2, para 34](#)).
- Increasing the incentives for additional voluntary contributions later in life. Women are more likely make additional superannuation contributions later in life as their saving capacity increases. However this will assist women whose household wealth is higher more than women with lower net wealth.
- Measures that boost the superannuation of low income earners, such as co-contribution measures, will assist women more than men as they are overrepresented at lower income levels. However these measures must be designed so as to not reduce their overall income.

- Reducing superannuation tax concessions for high income earners. As these are predominately men, the concessions contribute to the gender superannuation gap.
- Increasing the Age Pension and particularly the Commonwealth Rent Subsidy as older women rely on these supports in the absence of superannuation.
- Improving the visibility of superannuation assets in family law proceedings.

What are the 2021 Budget impacts on women?

The measures introduced in the 2021-22 budget are a start, but the Government could have gone further to address the Gender Superannuation Gap.

We welcome the removal of the \$450 monthly wage threshold, which is likely to benefit about 300,000 people, of whom two thirds are women. The commitment to transparency in family law proceedings is also welcome – although we note that this was announced more than two years ago, and should have been introduced by now.

We do not support schemes that encourage people to draw down on superannuation early. We welcome the announcement that the proposal for women to be able to access funds in cases of domestic violence is not to proceed, and that funding will be allocated separately for this purpose.

In respect of the First Home Super Support Scheme we note that the changes increase the amount that can be withdrawn, but it is still limited to \$15,000 pa (although backdated to 2017 when the measure was first introduced). This will require a sustained effort on the part of the saver to make additional contributions with the intention of withdrawing them as a home deposit, although some of the procedural flaws have been addressed. Behavioral economics would suggest that in a rising market savers are unlikely to wait more than three years to purchase the market. The effect on the market is also a concern (see Housing).

The remaining measures are more likely to be available to women where there is a higher net household wealth. As noted by the Retirement Income Review, making additional catch up contributions will assist women's economic security in retirement. However the ability to access the downsizer contribution and make additional non-concessional contributions will depend on the family unit having sufficient assets to make the superannuation contributions, after making whatever arrangements are necessary to replace the home. Note that if a couple does have surplus funds after selling their home they could contribute more than \$1.2 m to superannuation between them. The Treasurer advised that 55% of downsizer contributions under the existing scheme were made by women. This is not surprising as both partners are eligible to make this contribution on the sale of a property, and couples are likely to top up the lower balance account to avoid the application of the superannuation caps. Note also that superannuation balances will be taken into account in the pension assets test.

The missed opportunities were in respect of superannuation on paid parental leave, and an enhanced co-contribution scheme.

Longer term, the generosity of the superannuation tax concessions should also be addressed with a restructuring to redistribute tax concessions within the superannuation system.

Recommendations

- The Government should require that superannuation guarantee payments are payable on all paid parental leave, under both the federal and employer paid parental leave schemes.
- The co-contribution scheme should be enhanced to encourage voluntary contributions from lower paid workers.
- Longer term, the generosity of the superannuation tax concessions should also be addressed with a restructuring to redistribute tax concessions within the superannuation system.
- We note that until the gender pay gap is addressed, women will have lower superannuation balances than men as superannuation is based on earnings.