PRICE ROBERTS + CO

Chartered Accountants

+ 2023 March Superannuation Update

Future earnings for super balances above $3m taxed at 30% from 2025-26

The Government has announced that from 2025-26, the 15% concessional tax rate applied to future earnings for superannuation balances above $3 million will increase to 30%.

The concessional tax rate on earnings from superannuation in the accumulation phase will remain at 15% up to $3m. From $3m onwards, the rate will increase to 30%. The amendment applies to future earnings; it is not retrospective.

80,000 people are expected to be impacted by the measure.

The announcement doesn't propose any changes to the transfer balance cap or the amount that a member can have in the tax-free retirement phase.

1 July 2023 Super Balance Increase but no Change for Contributions

The general transfer balance cap (TBC) – the amount of money you can potentially hold in a tax-free retirement account, will increase by $200,000 on 1 July 2023 to $1.9 million. The TBC is indexed to the consumer price index each December.

The TBC applies individually. If your transfer balance account reached $1.7m or more at any point before 1 July 2023, your TBC after 1 July 2023 will remain at $1.7m. If the highest amount in your account was between $1 and $1.7m, then your cap is proportionally indexed based on the highest ever balance your transfer balance account reached.

That is, the ATO will look at the highest amount your transfer balance account has ever been, then apply indexation to the unused cap amount.

For example, if you started a retirement income stream valued at $1,275,000 on 1 October 2022 and this was the highest point your account reached before 1 July 2023, then your unused cap is $425,000 ($1.7m-$1.275m). This unused cap amount is used to work out your unused cap percentage ($425k/$1.7m=25%). The unused cap percentage is then applied to the indexation increase ($200k*25%=$50k) to create your new TBC of $1,750,000.

But don't worry, you don't have to calculate this yourself, you can see your personal transfer balance cap, available cap space, and transfer balance account transactions online through the ATO link in myGov.

The caps on the contributions you can make into super however, will remain the same. That is, $27,500 for concessional contributions and $110,00 for non-concessional contributions. The contribution caps are linked to December's average weekly ordinary time earnings (AWOTE) figures.

Superannuation Contributions

Downsizer contributions extended to 60 plus

Eligible individuals aged 60 years or older can choose to make a 'downsizer' contribution of up to $300,000 per person ($600,000 per couple) from the proceeds of selling their principal residence (if owned for 10 years or more).

Work Test Abolishment

A reminder that the work-test has been repealed for those under 75 to make or receive non-concessional or salary sacrifice super contributions (the work test still applies to personal deductible contributions)

The Federal Budget is released on 9 May 2023. Look out for our update with all the relevant news to you, your business and your super.

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