INSIDE

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FINANCIAL MATTERS AFFECTING YOUR LIFESTYLE

- If you withdrew super during COVID here's how to get your balance back up.
- ATO's ABN cancellation program continues.
- Superannuation budget measures one step closer.

If you withdrew super during COVID, here's how to get your balance back up

When it comes to weathering the COVID pandemic, many of us have been doing it tough in lockdown.

To help Australian's deal with financial hardship caused by the pandemic, the Federal Government's early release of super scheme in 2020 allowed eligible people to withdraw up to $20,000 from their superannuation account.

If you took advantage of the opportunity to make a super withdrawal, you're not alone. Out of 3.5 million applications, a total of 98% were processed and $36.4 billion paid out at an average overall super withdrawal of $7,638.

Along with other programs such as jobseeker payments and mortgage deferrals, the early release initiative played a big part in helping people with their living expenses.

Getting back on your feet – While some COVID restrictions remain, many Australians are suffering the ongoing effects on their personal finances.

But once the dust starts to settle, you could be faced with the challenge of rebuilding your super if you dipped into your retirement savings. The impact depends on your personal circumstances but generally, the younger you are, the more you could be affected.

If you're near the start of your working life, any super withdrawal would have a bigger effect on your retirement nest egg as you'll miss out on the long-term benefits of compound earnings in super's tax-friendly environment. A 25-year-old who withdrew $10,000 from their super could suffer a reduction of $23,942 by the time they reach 67 – and this could rise to $47,885 if they withdrew the maximum $20,000.

Even if you're closer to retirement, any withdrawal could still affect your nest egg. But the good news is, there are ways to top up your super in the time you have left.

Of course, it's not just COVID withdrawals that could affect your super balance – over the course of your working life, your retirement savings could take a hit for any number of reasons.

You might take money out of super to help buy your first home. You might spend time out of the workforce to travel, study or raise a family. Or you might experience a market downturn.

Rebuilding your super – There's a good chance you could be retired for a long time, and after a lifetime of hard work you don't want to worry about making ends meet on the age pension.

Super may not be your first priority and you probably have more pressing concerns. But if you're lucky enough to be able to save a bit on the side, then there are plenty of ways to start putting extra money into super, whatever stage you're at.

- If you're working, you could arrange salary sacrifice contributions with your employer to add to your super guarantee payments or see if you're eligible for government co-contributions that could be tax deductible, up to a yearly limit.
- If you're in a relationship you could potentially benefit for spouse contributions and an associated tax offset of up to $540 if you're eligible.
- And if you're retired you could look at making downsizer contributions into super from the sale of your home. Source: AMP Insights

ATO's ABN cancellation program continues

You may need to take action to prevent the cancellation of your ABN.

The ATO has announced that is continuing to review inactive Australian Business Numbers (ABNs) for cancellation. Your ABN may be selected for review if you have not reported business activity in your tax return, have not lodged activity statements that include business income, or there are no other signs of business activity in other lodgements or third-party information. This includes running a legitimate business but forgetting or neglecting to lodge tax returns and activity statements.

If your ABN is cancelled, you have no legal business. This means you are operating illegally.

The purpose of cancelling inactive ABNs is to ensure information on the Australian Business Register is correct and up-to-date. Emergency services and government agencies use information from ABR during natural disasters to identify where financial disaster relief is needed to help businesses.

Your customers and suppliers may also use the ABR to verify that they are dealing with a legitimate business, particularly at the commencement of a business relationship. If there is no ABN appearing on the register then that customer or supplier will likely withhold 45% of any payments due to your business.

ABN cancellation scenarios –

- If your ABN is identified for cancellation, the ATO may contact you and advise what actions you need to take in order to prevent them cancelling it. This may include lodging outstanding returns of activity statements showing business outcome.
- If you are no longer in business, you don't need to take any action.
- If your ABN is cancelled, but you are still carrying on an enterprise and believe you are entitled to one, you need to reapply to reactivate it via www.abr.gov.au

When reactivating a cancelled ABN, you can list your previous ABN on the application for a new ABN. Reactivating a cancelled ABN is free, however you may be charged a fee if your business name needs to be re-registered.

The ATO may conduct a manual review when you reactivate a cancelled ABN. Generally, this will determine your eligibility and entitlement for an ABN. Eligibility depends upon whether you are carrying on an enterprise.

You can reapply for the same ABN if your business structure remains the same. However, if this has changed, you will need to apply for a new ABN (for example if you were a sole trader, but now operate through a company structure). Source: Butler Settineri.

Superannuation budget measures one step closer

Several superannuation proposals announced in this year's Federal Budget have been introduced into Parliament in the Treasury Laws Amendment (Enhancing Superannuation Outcomes for Australians and Helping Australian Businesses Invest) Bill 2021.

These measures – all due to start on 1 July 2022 – aim to:

- Improve flexibility for Australians preparing for retirement
- Reduce costs and simplify reporting for SMSFs
- Expand the superannuation guarantee (SG) to lower income individuals
- Support more Australians to own their first home.

The superannuation measures that have been introduced include:

Repealing the work test for individuals aged 67 to 74 – Start date: 1 July 2022.

Individuals aged 67 to 74 will be able to make or receive non-concessional contributions (NCC) or salary sacrifice superannuation contributions without meeting the work test, subject to existing contribution caps.

However, individuals aged 67 to 74 years wanting to make personal deductible contributions will still have to meet the existing work test.

Removing the work test for individuals aged 67 to 74 will provide more flexibility for retirees under 75 to top up their superannuation without needing to work 40 hours within 30 consecutive days in a year prior to making a contribution. It will also allow advisers to implement strategies, such as the re-contribution strategy, that are not normally available to retired clients at this age gap.

Work test requirements if legislation is passed

	67-74 Current rules	67-74 Proposed rules
NCCs	Work test required	No work test
Salary Sacrifice	Work test required	No work test
Personal Deductible Contributions	Work test required	Work test still required

Note - the removal of the work test will not enable individuals approaching 75 to access the bring forward rule for years in which they have no cap space. This is because under current legislation, individuals are not able to make voluntary superannuation contributions beyond the age of, 74 so allowing an individual who is aged 74 to bring forward two year's worth of NCC contributions would enable them to access a contribution period to which they are not entitled to.

Reducing the eligibility age for downsizer contributions to 60 – Start date: 1 July 2022

The eligibility age to make a downsizer contribution will be reduced for 65 to 60 years of age. All other eligibility criteria that currently apply to downsizer contributions will continue to apply.

The rules allow individuals to make a one-off after tax contribution to superannuation up to $300,000 (or $600,000 per couple) from the proceeds of selling their home they have held for at least 10 years. Under the rules, both members of a couple can make downsizer contributions for the same home and the contributions do not count towards an individuals NCC cap.

Providing SMSFs choice to calculate exempt current pensions income – Start date: 1 July 2022

SMSF trustees will be able to choose how to calculate exempt current pension (ECPI) where the fund is fully in the retirement phase for part of the income year but not for the entire income year.

The change will allow trustees to choose to apply the proportionate (or unsegregated) method for the whole of the income year based on a single actuary's certificate, rather than being required to use different methods to calculate ECPI for different periods in the same income year. The choice only applies if the SMSF does not have disregarded small fund assets (DSFA).

An SMSF is regarded as having DSFA where the fund:

- pays a retirement phase pension at any time during the financial year, and
- a fund member has a total superannuation balance of $1.6 million or more on 30 June of the previous financial year, and
- the same member is receiving a retirement pension from any fund (not necessarily the SMSF).

Points to note about making a choice:

- Trustees will be able to choose which method to use and calculate ECPI before submitting the fund's SMSF annual return.
- This choice is not a formal election and does not have be submitted to the ATO. However, it is expected that trustees will keep a record of any choice they make and the details of the calculation they use.

An SMSF will only be able to exercise this choice if:

- all interests in the SMSF's are in retirement phase for some, not all of the income year

- all of the income derived from the SMSFs assets is supporting retirement phase income stream benefits payable from an allocated pension, market linked pension or an account-based pension, and
- the SMSF does not have DSF.

Removing the $450 per month minimum SG threshold - Start date: 1 July 2022.

The $450 per month minimum SG income threshold will be repealed. As a result, employers will be required to make quarterly SG contributions on behalf of low-income employees earning less than $450 per month (unless SG exemption applies).

Under the current rules, an employer is not required to pay SG contributions for an employee who earns less than $450 per month.

The two main rationales for the $450 threshold were to:

1. Minimise the administration burden on employers administering small amounts of superannuation contributions. However, new payroll systems like Single Touch Payroll, diminishes the rationale for a minimal threshold which adversely impacts low-income workers and women.
2. Prevent the creation of low-balance accounts that could get eroded by fees and insurance premiums. However, recent Government changes have reduced the impact of these risks.

Increasing the first home super saver scheme (FHSSS) releasable amount to $50,000 - Start date: 1 July 2022.

Since 1 July 2017, individuals can make voluntary concessional contributions (CC) and NCCs into superannuation and have them released to help pay for their first home.

The maximum releasable amount of eligible voluntary CCS and NCCs under the FHSSS will be increased from $30,000 to $50,000.

Under the new rules, the maximum amount of voluntary contributions that are eligible to be released remains at $15,000 per financial year and $50,000 in total. The individual will also receive an amount of earnings that relate to those contributions.

Therefore, and individual would need to contribute over four years to take maximum advantage of the scheme under this measure. Source: Butler Settineri

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