

Federal Budget 2017

Measures to tackle home affordability were a key focus of this year's Federal Budget, along with a company tax cut, an increase in the Medicare levy, changes to school funding models and the introduction of a new bank levy.

Two of the measures on home affordability directly involve superannuation – a newly announced First Home Super Saver Scheme and a scheme to facilitate downsizing among older people. Importantly, the first home saver scheme relates to voluntary super contributions, not existing compulsory super savings. (see below for further details).

There were no other major superannuation changes announced, though it is worth keeping in mind that most of the 12 super changes announced in last year's budget are still to come into effect on 1 July this year.

While not directly related to superannuation, the reinstatement of the pensioner concession card for those who lost part-age pension this year is a welcome move in this year's budget.

► **First Home Super Saver Scheme**

In a move aimed at helping first home buyers build a housing deposit, the Government proposes to allow voluntary contributions to super funds to be withdrawn for the purposes of buying a first home. Contributions into a super fund will be allowed by salary sacrifice up to a maximum of \$15,000 per year, or a maximum of \$30,000 in total. Where there is a couple involved, both individuals will be able to utilise their caps.

Withdrawals will be allowed from 1 July 2018 onwards, with a concessional tax applying to withdrawals (along with a deemed earning rate that the Australian Tax Office applies). This concessional tax will be at a rate of marginal tax rates less a 30 per cent offset – effectively making withdrawals tax-free for anyone earning up to \$87,000. According to Government estimates, the scheme will see a couple accumulating an extra \$12,484 on combined savings of \$60,000 over three years than if they had saved in a standard bank deposit account.

Effective: 1 July 2017 **Cost:** \$250 million. [Factsheet](#)

SNAPSHOT OF SUPER CHANGES



First Home Super Saver Scheme



Contributing the proceeds of downsizing to superannuation



Reinstatement of pensioner concession card



Capital Gains Tax (CGT) relief for merging funds



New Financial Complaints Authority



Tax integrity changes – SMSF

▶ **Contributing the proceeds of downsizing into superannuation**

Retirees aged 65 and over who downsize their homes will be able to contribute up to \$300,000 of the proceeds into superannuation as a non-concessional (post-tax) contribution. These contributions will be in addition to those currently allowed under existing rules and caps and they will be exempt from the existing age test, work test and the \$1.6 million balance test for making post-tax contributions coming in from 1 July 2017. Both members of a couple can take advantage of this measure for the same house, so the downsizing cap will be \$600,000 per couple to contribute to super.

Effective: 1 July 2018 **Cost:** \$30 million [Factsheet](#)

▶ **Reinstatement of pensioner concession card**

Earlier this year, some pensioners affected by the changes to the age pension assets test taper rate lost their Pensioner Concession Cards. Changes announced in this budget reinstate pension cards for those affected.

Effective: Immediately **Cost:** \$3.1 million

▶ **Extension of tax relief for merging funds**

The Government will extend the current tax relief for merging superannuation funds until 1 July 2020. This relief will continue to ensure that superannuation fund members' balances are not reduced by tax when superannuation funds merge. It will remove tax as an impediment to mergers and facilitate industry consolidation. Consolidation should lead to better retirement outcomes through reduced costs as members of merged funds are better able to realise the benefits of economies of scale.

Effective: Immediately **Cost:** Not provided

▶ **New Financial Complaints Authority for consumers**

The Government is proposing one-stop External Dispute Resolution (EDR) scheme to replace the Financial Services Ombudsman, the Credit and Investments Ombudsman and the Superannuation Complaints Tribunal. Importantly, the Government has stated that the existing statutory protections applying to superannuation disputes will still continue.

Effective: 1 July 2017 **Cost:** \$4.3 million

▶ **Tax integrity changes (mostly applicable to self-managed super funds)**

The Government has introduced changes to tighten up the rules around certain types of borrowing arrangements in self-managed super funds.

Effective: Various **Cost:** \$24 million

This information is general advice only and does not take into account your individual objectives, financial situation or needs. Before acting on any advice you should assess whether it is appropriate for you and consider talking to a financial adviser. Before making any decision about acquiring any product, you should obtain and review its product disclosure statement available at www.telstrasuper.com.au or by calling 1300 033 166.

Telstra Super Pty Ltd, PO Box 14309 Melbourne VIC 8001 ABN 86 007 422 522, AFSL 236709, is the Trustee of the Telstra Superannuation Scheme (Telstra Super) ABN 85 502 108 833.