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TREASURER OF THE COMMONWEALTH OF AUSTRALIA



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Even fairer, more flexible and sustainable superannuation

Joint media release with
The Hon Kelly O'Dwyer MP
Minister for Revenue and Financial Services

The Government has today announced improvements to the superannuation changes announced in the 2016-17 Budget that make Australia's superannuation system even fairer, more flexible and more sustainable.

Following extensive consultation, the Government will amend the package to improve the measures that seek to restrict superannuation being used as an estate planning vehicle, while providing greater support for Australians investing in their superannuation with the primary objective of providing an income in their retirement.

The \$500,000 lifetime non-concessional cap will be replaced by a new measure to reduce the existing annual non-concessional contributions cap from \$180,000 per year to \$100,000 per year.

Individuals aged under 65 will continue to be able to 'bring forward' three years' worth of non-concessional contributions in recognition of the fact that such contributions are often made in lump sums. The overwhelming bulk of such larger contributions are typically less than \$200,000.

Individuals with a superannuation balance of more than \$1.6 million will no longer be eligible to make non-concessional (after tax) contributions from 1 July 2017. This limit will be tied and indexed to the transfer balance cap.

This ensures that we focus the entitlement for after tax contributions to those Australians who have an aspiration to maximise their superannuation balances and reach the transfer balance cap in the retirement phase, where a zero tax on earnings applies.

These measures mean that with their annual concessional contributions, Australians will be able to contribute \$125,000 each year and, if taking advantage of the non-concessional 'bring forward', up to \$325,000 in any one year until such time as they reach \$1.6 million.

While noting that less than 1 per cent of superannuants now reach the proposed transfer balance cap of \$1.6 million, these improvements will mean Australians will be given a clear and better opportunity to realise their aspiration to build their balance to the limit of the transfer balance cap.

As is the case with all other Budget superannuation measures, broadly commensurate treatment will apply to members of defined benefit schemes.

Replacing the lifetime non-concessional cap announced in the Budget with a reduced annual cap will cost revenue \$400 million over the forward estimates. Introducing eligibility for non-concessional contributions to those with less than \$1.6 million in superannuation limits the cost of this change over the medium term.

In order to fully offset the cost of reverting to a reduced annual non-concessional cap, the Government will now not proceed with the harmonisation of contribution rules for those aged 65 to 74. While the Government remains supportive of the increased flexibility delivered by this measure, it can no longer be supported as part of this package, without a net cost to the Budget.

Individuals aged 65 to 74 who satisfy the work test will still be able to make additional contributions to superannuation. This will encourage individuals to remain engaged with the workforce which is of benefit to the economy more generally.

In addition, the commencement date of the proposed catch-up concessional superannuation contributions will be deferred by 12 months to 1 July 2018 to ensure the full cost of changes to non-concessional contribution arrangements are met over both the forward estimates and the medium term.

These measures will ensure that 96 per cent of Australians remain better off or unaffected by the Government's superannuation reforms that will introduce greater flexibility and sustainability to our retirement income system.

Fact sheets on the Government's superannuation changes are available at www.treasury.gov.au/SuperReforms (<http://treasury.gov.au/SuperReforms>)

Impact on Underlying Cash Balance

	Forward estimates (\$m)	Total to 2026-27 (\$m)
Non-concessional contributions cap	-400.0	-2,200.0
Reversal of Budget measure to harmonise contribution rules for those aged 65 to 74	180.0	1,920.0
Deferral of Budget measure to allow carry forward of unused concessional contributions cap	400.0	950.0
TOTAL	180.0	670.0



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