TREASURY LAWS AMENDMENT BILL 2020: IMPROVING FLEXIBILITY FOR OLDER AUSTRALIANS

EXPOSURE DRAFT EXPLANATORY MATERIALS

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Glossary

The following abbreviations and acronyms are used throughout this explanatory memorandum.

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| Abbreviation | Definition |
| ITAA 1997 | *Income Tax Assessment Act 1997* |
| SIS Act | *Superannuation Industry (Supervision) Act 1993* |
| SIS Regulations | *Superannuation Industry (Supervision) Regulations 1994* |
| RSA Act | *Retirement Savings Accounts Act 1997* |
| RSA Regulations | *Retirement Savings Accounts Regulations 1997* |

1. Bring forward non-concessional contributions cap

## Outline of chapter

* 1. This chapter explains that the amendments in [Schedule # of the Bill] enable individuals aged 65 and 66 to make up to three years of non- concessional superannuation contributions under the bring-forward rule.

## Context of amendments

* 1. In the 2019-20 Budget, the Australian Government announced that Australians over 65 would have greater flexibility in making voluntary superannuation contributions (concessional and non- concessional) from 1 July 2020.
	2. This initiative achieves the Government’s objective through three changes:
* the age at which the work test starts to apply for voluntary concessional and non-concessional superannuation contributions is increased from 65 to 67;
* the cut‑off age for spouse contributions is increased from 69 to 74; and
* individuals aged 65 and 66 can make up to three years of non-concessional superannuation contributions under the bring-forward rule.
	1. This Bill amends the ITAA 1997 to implement the changes to the bring-forward rule.
	2. The other elements of this Budget measure – increases in the age at which the work test applies and the cut-off age for spouse contributions – are implemented through the SIS Regulations and the RSA Regulations.

## Summary of new law

* 1. Individuals aged under 67 can make up to three years of non-concessional superannuation contributions under the bring-forward rule.
	2. This change becomes law on the first 1 January, 1 April, 1 July or 1 October to occur after the day the Act receives the Royal Assent. Once law, it applies to non-concessional contributions made on or after 1 July 2020.

Comparison of key features of new law and current law

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| --- | --- |
| New law | Current law |
| Eligible individuals under 67 years of age may access the bring‑forward non‑concessional contributions cap in a particular financial year. | Eligible individuals under 65 years of age may access the bring‑forward non‑concessional contributions cap in a particular financial year (paragraph 292-85(3)(c) of the ITAA 1997). |

## Detailed explanation of new law

* 1. The annual non-concessional contributions cap is currently set at $100,000 per year. This cap limits the amount of contributions that can be made each financial year (refer subsection 292-85(2) of the ITAA 1997).
	2. Individuals may be able to “bring forward” an amount of their annual non-concessional contributions cap equal to two or three times the annual cap, that is, up to $300,000, as long as they meet the eligibility criteria in subsection 292-85(3) of the ITAA 1997.
	3. Currently, paragraph 292-85(3)(c) provides that only an individual under 65 years of age in the financial year in which they make the contribution may access the bring-forward non-concessional contributions cap.
	4. The Bill amends paragraph 292-85(3)(c) so that the cut-off age for accessing the bring-forward non-concessional contributions cap is increased from 65 to 67 years. [Schedule #, item 1, paragraph 292-85(3)(c) of the ITAA 1997]
	5. This means that individuals aged 65 and 66 who were not previously able to access the bring-forward non-concessional contributions cap due to their age may do so, starting in the 2020-21 financial year. [Schedule #, item 2]

## Application and transitional provisions

* 1. This change becomes law on the first 1 January, 1 April, 1 July or 1 October to occur after the day the Act receives the Royal Assent. Once law, it applies to non-concessional contributions made on or after 1 July 2020. [Schedule #, item 2]