



THE HON KELLY O'DWYER MP
MINISTER FOR SMALL BUSINESS
ASSISTANT TREASURER



[Home](#)

[Biography](#)

[Media Releases](#)

[Speeches](#)

[Transcripts](#)

[Contact](#)

3 May 2016

[Media Release](#)

In the period preceding an election the Australian Government assumes a caretaker role. It is important during that time that Australian Government resources are not used to communicate political material. As this website is hosted by the Treasury. During the caretaker period, material released by Portfolio Ministers may not be available from this site. It may be available from the Minister's personal website or the Liberal Party of Australia website, which are not funded by the Commonwealth of Australia.

A more sustainable superannuation system

Joint media release with
The Hon. Scott Morrison MP
Treasurer

The Turnbull Government is today announcing a package of superannuation tax reforms to improve the sustainability, flexibility and integrity of the superannuation system.

As Australia's population ages it is becoming increasingly important to ensure that the superannuation system is based on a clearly stated objective, is providing the right incentives to save, and is flexible enough to ensure all Australians are given the opportunity to enjoy a fulfilling retirement.

The Government will enshrine in law that the **objective for superannuation** is *to provide income in retirement to substitute or supplement the Age Pension*. This reflects extensive consultations following the recommendation of the Financial System Inquiry.

The Government will embed the objective of superannuation in a stand-alone Act, with an accountability mechanism to ensure that new superannuation legislation is considered in the context of the objective. The subsidiary objectives will be set out in explanatory material to the Act, and the Government will consult on the final form of the legislation. The objective has been an important anchor for the development of the superannuation changes included in the Budget.

Superannuation tax concessions will be better targeted to those who need incentives to save and improve the effectiveness of the tax system as a whole, while ensuring 96 per cent of Australians continue to receive similar levels of support as they have in the past.

The flexibility of the superannuation system will also be improved, recognising that individuals have different working patterns across their lives. Public confidence in the superannuation system will be improved by reducing the extent that superannuation is used for tax minimisation and estate planning purposes.

Better targeting of superannuation tax concessions

The Turnbull Government will better target tax concessions to those who need incentives to save for their retirement, making the superannuation system more fiscally sustainable and increasing confidence that the settings are consistent with the objective of superannuation. Retargeting includes:

- introducing a \$1.6 million balance cap on the total amount of superannuation that can be transferred into the tax-free retirement phase;
- extending the 30 per cent tax on concessional contributions to those earning over \$250,000 (including concessional contributions);
- reducing the annual cap on concessional contributions to \$25,000;
- introducing, from tonight, a lifetime cap of \$500,000 on non-concessional contributions; and
- introducing the Low Income Superannuation Tax Offset to replace the Low Income Superannuation Contribution when it expires on 30 June 2017, to support low income earners to save for their retirement by ensuring they don't pay more tax on their contributions than their take-home pay.

The Government will make additional changes to provide broadly commensurate treatment for members of defined benefit funds and constitutionally protected funds.

Enhancing flexibility and choice

Recognising that individuals have different work patterns and employment arrangements, and the retirement savings gap faced by women, the Government will enable greater flexibility and choice in how we save for retirement.

The Government will lift current restrictions to allow all Australians, under the age of 75, to claim a tax deduction for personal contributions to eligible superannuation funds up to the concessional cap.

Individuals who are partially self-employed and partially wage and salary earners and individuals whose employers do not offer salary sacrifice arrangements will

benefit from these changed arrangements.

We will also allow, for the first time, the carry forward of unused concessional caps to enable individuals with superannuation balances below \$500,000 to make 'catch-up' superannuation contributions, and extend the eligibility for individuals to claim a tax offset for contributions made to their low income spouse's superannuation.

The Government will lift certain restrictions on contributions to superannuation that apply to Australians aged 65 to 74 and instead apply the same contribution acceptance rule for all individuals under 75.

We will also remove tax barriers to the development of new retirement income products by extending the tax exemption on earnings in the retirement phase to products such as deferred lifetime annuities and group self-annuitisation products. These products can provide more flexibility and choice for Australian retirees, and help them to better manage consumption and risk in retirement.

This change was recommended by the Retirement Income Streams Review. The Government has released the Review and agreed all its recommendations. We will also consult on how the new retirement income products will be treated under the Age Pension means test.

Additional measures to improve integrity

In line with the objective of superannuation, the superannuation package will improve public confidence in the superannuation system by reducing the extent to which it is used for tax minimisation and estate planning purposes. The introduction of the \$1.6 million limit on the amount that can be transferred into the retirement phase and the introduction of the \$500,000 lifetime non-concessional cap are key elements to improve confidence that the system is being used for its core purpose. In addition, the Government will:

- tax the earnings of 'Transition to Retirement Income Streams', to reduce the incentive for them to be used as a vehicle to minimise tax; and
- remove the outdated anti-detriment transitional provisions, which in practical terms, provide a refund of contributions tax paid over a lifetime.

These changes, which will generally take effect from 1 July 2017, will complement the regulatory reforms already being pursued by the Government to enhance the transparency, efficiency and governance of the superannuation system in order to improve confidence in the integrity of the system.



Australian Government

The Treasury

Portfolio Ministers

The Hon Scott Morrison MP
The Hon Kelly O'Dwyer MP
The Hon Alex Hawke MP
Treasury Portfolio Ministers

Legal

Copyright
Disclaimer
Privacy Statement