



Budget 2016



Superannuation Reform:

Supporting Australians to save for their retirement by introducing the Low Income Superannuation Tax Offset

The Government will introduce a Low Income Superannuation Tax Offset to replace the Low Income Superannuation Contribution. This will provide continued support for the accumulation of superannuation for low income earners and ensure they do not pay more tax on their superannuation contributions than on their take-home pay.

The issue

The superannuation system is designed to encourage Australians to save for their retirement. This is why superannuation is taxed at a lower rate than income outside of superannuation. However, for low income

earners, the 15 per cent tax on superannuation contributions means they pay more tax on their superannuation contributions than on their other income.

The details

From 1 July 2017, the Government will introduce the Low Income Superannuation Tax Offset.

Those with an adjusted taxable income up to \$37,000 will receive a refund into their superannuation account of the tax paid on their concessional superannuation contributions, up to a cap of \$500.

In effect, this means that most low income earners will pay no tax on their superannuation contributions.

Low income earners, who are disproportionately women, will benefit from the Low Income Superannuation Tax Offset. This is important because women, on average, have lower superannuation balances than men, despite having higher life expectancies. It is expected that in 2017-18 around 3.1 million people (almost two-thirds of whom are women) will benefit from the Low Income Superannuation Tax Offset.

The Low Income Superannuation Tax Offset will effectively avoid the situation in which low income earners would pay more tax on savings placed into superannuation than on income earned outside of superannuation.

Implementation

The Australian Taxation Office will determine a person's eligibility for the Low Income Superannuation Tax Offset and this will be paid into the person's superannuation account.

Cameo – Katherine

In the 2017-18 financial year Katherine worked part-time as a nurse and earned \$35,000. Her employer made superannuation contributions of \$3,325 on her behalf.

Katherine is eligible for the Low Income Superannuation Tax Offset. She receives \$498.75 of Low Income Superannuation Tax Offset in her account.

Katherine would have received the same amount of Low Income Superannuation Contribution.