
TREASURY LAWS AMENDMENT BILL 2020: IMPROVING FLEXIBILITY FOR
OLDER AUSTRALIANS

EXPOSURE DRAFT EXPLANATORY MATERIALS

Table of contents

Glossary..... 3

Chapter 1 Bring forward non-concessional contributions
cap..... 4

Glossary

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

<i>Abbreviation</i>	<i>Definition</i>
ITAA 1997	<i>Income Tax Assessment Act 1997</i>
SIS Act	<i>Superannuation Industry (Supervision) Act 1993</i>
SIS Regulations	<i>Superannuation Industry (Supervision) Regulations 1994</i>
RSA Act	<i>Retirement Savings Accounts Act 1997</i>
RSA Regulations	<i>Retirement Savings Accounts Regulations 1997</i>

Chapter 1

Bring forward non-concessional contributions cap

Outline of chapter

1.1 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

1.2 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.

1.3 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.

1.4 This Bill amends the ITAA 1997 to implement the changes to the bring-forward rule.

1.5 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

1.6 Individuals aged under 67 can make up to three years of non-concessional superannuation contributions under the bring-forward rule.

1.7 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

<i>New law</i>	<i>Current law</i>
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

1.8 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).

1.9 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.

1.10 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.

1.11 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*]

1.12 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

1.1 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]*