Federal Budget 2020

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Fact Sheet

"The road to recovery will be hard but there is hope" – Josh Frydenberg.

Touted as the most significant Federal Budget in decades, the Federal Government's 2020 delivery sets the scene for a slow climb back to surplus and out of the first recession in almost 30 years. In a budget that is encouraging spending on many levels, there are loads of tax-related measures for business, as well as many positives for individuals. Industry hasn't been forgotten either with supporting measures for agriculture, real estate, education, infrastructure, aged care, childcare and superannuation reforms.

The highlights

In the 2020 federal budget, the government is providing over the four years of the forward estimates $25 billion in further temporary and targeted support under the COVID 19 Response Package and $74 billion under the JobMaker Plan.

Some of the $25 billion was previously announced but major new measures include:

— more than $50 billion in tax relief to households and businesses over the forward estimates to create jobs

— increasing the government's infrastructure investment pipeline by $10 billion to $110 billion over ten years

— $4 billion for a JobMaker Hiring Credit to give businesses incentives to take on additional employees that are aged 16 to 35 years old

— $1.2 billion to support 100,000 new apprentices and trainees with a 50 per cent wage subsidy, and

— Increased mental health funding will now support 20 psychological visits annually, an increase from the current limit of 10.

The aim of these measures is to create a virtuous circle of more employment, more investment, more consumer spending leading to more employment, investment and spending. The amount of the money the government is prepared to deploy to kick start a strong economic recovery is unprecedented with a budget deficit of $213bn this year and still a very large, but declining, deficit in FY24.

The economic forecasts assume the strategy will be successful with GDP forecast to rebound by 4.75% in FY22 and the unemployment rate falling from a peak of 8% at the end of this year to 6.5% by the end of FY22.

Changes to Super

This year's budget announces significant reforms to default superannuation accounts. The major measures with direct impact on superannuation include:

1. Changes to default superannuation – 'Your Future, Your Super' measures
2. APRA's annual benchmarking tests for superannuation products
3. Additional funding to address serious and organised crime in the tax and super systems.

The government has also addressed the budgetary impact of several previously announced measures, including:

4. COVID-19 temporary early release to superannuation
5. COVID-19 temporary reduction of superannuation minimum drawdown rates
6. Deferred start date of the Retirement Income Covenant
7. Facilitation of closure of eligible rollover funds (ERFs)
8. Revised start dates for superannuation measures.

Details of specific superannuation measures

1. Changes to default superannuation – 'Your Future, Your Super' measures

The government will provide funding over four years from FY21 to implement a package of reforms to superannuation to ensure superannuation trustee actions are consistent with members' retirement savings being maximised. The government expects these changes will see Australians save $17.9 billion over the next decade.

Changes include:

— Stapling for existing superannuation fund members

To prevent the creation of unwanted multiple accounts, the government will ensure a superannuation member is 'stapled' to an existing superannuation account. This measure implements Recommendation 3.5 of the Royal Commission into Misconduct in the Banking.

— A new YourSuper comparison tool

New entrants to the workforce, or those wanting to review their superannuation, will be able to pick a MySuper product from a new online YourSuper comparison tool, to be delivered by the ATO.

— Increased transparency and accountability of superannuation funds

The government will legislate a stricter requirement for trustees to ensure that expenditure is motivated solely by the best financial interests of members and require superannuation funds to disclose how they are spending members' money. Key information will need to be provided to members ahead of Annual Members' Meetings.

2. APRA's annual benchmarking tests for superannuation products

APRA will conduct annual benchmarking tests on the net investment performance of:

— MySuper products from July 2021.

— Non-MySuper accumulation products where the decisions of the trustee determine member outcomes from 1 July 2022.

Products that have underperformed over two consecutive annual tests will be prohibited from receiving new members until a further annual test that shows they are no longer underperforming.

Superannuation funds which have products that fail the benchmarking test(s) will be required to disclose their underperformance to members and give their members the option to move their money to a better performing fund.

Additional levies on regulated financial institutions will fund this initiative.

3. Additional funding to address serious and organised crime

The government will provide funding to the ATO to target serious and organised crime in the tax and superannuation system.

4. COVID-19 temporary early release to superannuation

The budget papers formally addresses the impacts of the COVID-19 early release of superannuation initiative.

The COVID-19 early release of superannuation initiative allowed individuals to access up to $10,000 of their superannuation in 2019-20 and up to a further $10,000 in 2020-21 to help support them during COVID-19.

The application period for 2020-21 withdrawals under the initiative was recently extended from 24 September to 31 December 2020 as part of the government's July Economic and Fiscal Update. *The budget did not announce any further changes to the early release initiative.*

5. COVID-19 temporary reduction of superannuation minimum drawdown rates

The Budget papers formally address the impacts of the COVID-19 measure that temporarily reduced the superannuation minimum drawdown requirements. The measure is estimated to result in a small but unquantifiable decrease in receipts over the forward estimates period.

6. Deferred start date of the Retirement Income Covenant

The government has confirmed its deferral of the commencement of the Retirement Income Covenant, originally announced in Budget 2018-19, from 1 July 2020 to 1 July 2022. This is to allow continued consultation and legislative drafting to take place during COVID-19, and to allow the measure to be informed by the Retirement Income Review. The deferral was announced in July as part of the Economic and Fiscal Update.

7. Facilitation of closure of eligible rollover funds (ERFs)

The government has confirmed its previous announcement that it will amend the Treasury Laws Amendment (Reuniting More Superannuation) Bill 2020 to defer by 12 months the start date of the measure that prevents superannuation funds transferring new amounts to ERFs.

These changes were previously announced in July as part of the Economic and Fiscal Update.

8. Revised start dates for superannuation measures

The budget papers confirm deferred start dates for various measures relating SMSF's, KiwiSaver accounts and CGT discounts for MIT's and AMIT's.

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