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What social security and superannuation measures have been announced or supported by the current Government so far?

During the election campaign both the current and former Federal Government announced superannuation and social security measures that can impact retirees and pre-retiree clients.

The current Government while in opposition supported some of the announcements made by the former Government and disagreed on a few others. Below is a summary of some of these announcements.

It is important to note that at the time of writing these are only proposed measures and are not yet law and could change through implementation, if and when legislated.

Downsizer contributions – change to minimum qualifying age to 55

Since 1 July 2018, eligible individuals aged 65 and over have been able to contribute up to $300,000 from the sale proceeds of their main residence into superannuation. The contribution can be made without needing to meet the super work test or being subject to the non-concessional contribution restrictions imposed by total super balance rules.

While the rules refer to downsizing, there is no requirement to downsize or indeed purchase a new home.

From 1 July 2022, the minimum qualifying age has been legislated to reduce from the current 65 to 60. The previous Government proposed that this be reduced further to 55 with the current Government indicating that they are supportive of this measure. When initially announced, the lower age was proposed to also be effective 1 July 2022.

Those who use the 'downsizer contribution' rules in the age bracket of 55-64 may need to contend with 'preservation' rules where they may not be able to access the funds in superannuation unless they meet a condition to access such as retirement.

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Allowing downsizer funds to be disregarded under the social security assets test for two years

Currently, a social security recipient is allowed an assets test exemption for up to 12 months (extended to 24 months upon meeting certain additional conditions such as factors beyond the person's control) upon selling their main residence and purchasing or building their new home. The assets test exemption only applies to the amount of the sale proceeds intended to purchase / build a new home rather than the entire sale proceeds.

Effective 1 January 2023, the previous Government proposed that the asset test exemption period upon selling and purchasing / building a new main residence will be extended to 24 months.

This was announced together with the reduction in eligibility age for downsizer contributions and whilst the current Government indicated that they were supportive of the downsizer measure, it is currently unclear whether this measure was also supported.

Additionally, further detail is needed to ascertain whether the additional 12-month extension will be retained in addition to the proposed 24 months for those who experience delay beyond their control as well as whether there will be any relief under the income test.

Deeming rates - two year freeze

In early May 2022, both the former and current Governments announced their commitment to assist towards cost of living pressures by freezing deeming rate percentages for the next two years, irrespective of any future interest rate rises.

Currently, the deeming rate percentages are 0.25% for financial assets up to $53,600 (singles) and $89,000 (couples) and 2.25% for the balance of their financial assets.

The $53,600 and $89,000 thresholds will continue to be indexed with the next indexation due on 1 July 2022.

Increasing the cut-off income limit for the Commonwealth Seniors Health Card (CSHC)

Currently, eligibility for the CSHC is based on an income test that includes an individual's adjusted taxable income and deemed income from non-grandfathered account-based pensions.

To meet the income test, total assessable income will need to be below:

- $57,761 a year for singles
- $92,416 a year for couples
- $115,522 a year for couples separated by illness, in respite care or prison.

These limits are currently indexed on 20 September each year with the next indexation due on 20 September 2022.

Initially announced by the previous Government but supported by the current Government, it is proposed that from 1 July 2022 these income limits are increased to:

- $90,000 a year for singles
- $144,000 a year for couples
- $180,000 a year for couples separated by illness, in respite care or prison.

If legislated, it is currently unclear whether these proposed higher limits will be indexed again on 20 September 2022.

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