

Simplified Superannuation

Fact sheet - General changes

What are the key changes to the superannuation system?

From 1 July 2007:

- Superannuation benefits paid from a taxed fund either as a lump sum or as an income stream such as a pension will be tax free for people aged 60 and over.
 - Benefits paid from an untaxed scheme (mainly affecting public servants) will still be taxed, although at a lower rate than they are now for people aged 60 and over.
- Reasonable Benefit Limits (RBLs) will be abolished.
- Individuals will have greater flexibility as to how and when to draw down their superannuation in retirement. Superannuation funds are no longer forced to pay benefits.
- The concessional tax treatment of superannuation contributions and earnings will remain. Age-based restrictions limiting tax deductible (concessional) superannuation contributions will be replaced with a streamlined set of rules.
- The self-employed will be able to claim a full deduction for their superannuation contributions as well as being eligible for the Government co-contribution for their after-tax contributions. The tax exemption for invalidity payments will also been extended to the self employed.
- The ability to make deductible superannuation contributions will be extended up to age 75.
- It will be easier for people to find and transfer their superannuation between funds.

To increase further the incentives to save for retirement, from 20 September 2007 the pension assets test taper rate will be halved to \$1.50 per fortnight for every \$1,000 of assets above the assets test free area.

The superannuation preservation age will not change. The preservation age is already legislated to increase from 55 to 60 between the years 2015 and 2025. People will still be able to access superannuation benefits before the age of 60, although they will be taxed on their benefits under new simplified rules.