

A woman with long dark hair, seen from the side, looking out at a city skyline at night. The background is filled with blurred lights from buildings, creating a bokeh effect. The image is framed by a white box on the left and top, and a purple box on the right and bottom.

Super Outcomes

Federal Budget 2023

A relatively quiet Budget for superannuation

There were no significant new announcements for superannuation in the Federal Budget handed down on Tuesday 9 May 2023, with the focus firmly on cost-of-living relief.

Better targeted super concessions

The government's proposal to reduce the earnings tax concession for individuals with total super balances greater than \$3 million was restated in the Budget, with the government reiterating that the measure will impact around 80,000 people in its first year. As a reminder, under this measure, individuals with balances greater than the \$3 million threshold will pay an additional 15% tax on earnings attributed to that part of their super over the threshold using a simplified earnings formula. The threshold is not proposed to be indexed, and the measure is scheduled to commence from 1 July 2025. Consultation closed last month on an initial consultation paper on the measure.

The only new information in the Budget on this proposal was a statement that the estimated revenue from the measure includes \$50 million in receipts associated with updating the notional contribution methodology applicable to all defined benefit members. However, there was no further detail on this proposed update in the Budget papers.

Securing Australians' superannuation package

The government has restated its announcement from earlier in May that employers will be required to pay Superannuation Guarantee (SG) contributions at the same time they pay salary and wages commencing from 1 July 2026. The intention of this measure is to make it easier for employees to verify that their super has been paid and better enable the Australian Taxation Office (ATO) to recover unpaid super. The deferred start date is to provide employers and payroll system providers time to prepare, including updates to payroll systems.

There will be changes necessary to the design of the SG charge to align with the increased frequency of SG payments. The Government will consult with stakeholders on the design of these changes, with the final design to be considered as part of the 2024/25 Budget.

In support of the measure, the Budget includes increased funding for the ATO to act on underpayment of SG contributions, including a new compliance system that will proactively identify instances of underpaid or unpaid super in near-real time. There will also be new public targets for the ATO to recover unpaid super and distribute it to employees' super accounts, with annual reporting as part of the Budget papers.

Non-arm's length income provisions

The Budget announcements included amendments to a number of measures announced by the previous government. Relevant to super, the government clarified that it will amend the non-arm's length income (NALI) rules that apply to super fund expenditure by:

- exempting large APRA-regulated funds from the NALI provisions, both for general and specific fund expenses
- limiting income of self-managed super funds (SMSFs) and small APRA regulated funds that is taxable as NALI to twice the level of a general expense. Additionally, fund income taxable as NALI will exclude contributions.

Expenditure incurred prior to the 2018/19 income year will be excluded from the NALI provisions.

Other measures of interest

There will be additional funding of \$5 million over five years from 2023/24 to continue the super consumer advocate, with the aim of improving members' outcomes. This will be offset by an increase in APRA's supervisory levies.

There will also be additional funding for ASIC to support its investigation of greenwashing and other sustainable finance misconduct, recovered through levies under ASIC's industry funding model.

The government will provide additional funding to the ATO to support engagement with businesses to address the growth of tax and superannuation liabilities. This will involve greater engagement with taxpayers with "high value debts" greater than \$100,000, along with a lodgement penalty amnesty program for small business (with aggregate turnover less than \$10 million). The amnesty will remit failure-to-lodge penalties for outstanding tax statements lodged in the period from 1 June 2023 to 31 December 2023 that were originally due during the period from 1 December 2019 to 28 February 2022. Expected receipts from this measure include an estimated \$12.3 million in unpaid superannuation.

Measures that weren't in the Budget

With the Budget so quiet in relation to super, it is perhaps worth briefly considering what could have been, but wasn't, included in the announcements.

While there was welcome funding towards a number of women's safety initiatives, there were no announcements in the Budget on the payment of SG contributions on paid parental leave.

Aligning the frequency of payment of SG contributions will go some way towards addressing the unpaid super issue. However, there remain a number of groups in Australia who are not covered by the SG, including part time employees under age 18 and most self-employed people – such as the increasing number of gig workers. A number of pre-Budget submissions suggested that the SG should be extended to these groups of people, to make it a truly universal super payment.

Finally, there was also no indication from the government on a final objective for superannuation, which could have been included despite having no fiscal implications. Consultation closed in March on the government's proposed objective, but the Budget papers still refer only to the proposed objective and only in passing.

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