

Superannuation

Temporary early release of superannuation

Date	25 March – 24 September 2020 Applications from 20 April 2020
Applies to	People in severe financial hardship

From 20 April 2020, people in financial distress as a result of the coronavirus pandemic will be able to self-certify and apply for early release of up to \$10,000 of their superannuation in 2019-20, and again in 2020-21 (up until 24 September 2020).

Superannuation accessed under this measure is not taxed and will not impact on Centrelink or Veteran's Affairs payments.

If you have a Self-Managed Superannuation Fund, you cannot withdraw any amounts from the fund until your SMSF receives a release authority from the Australian Taxation Office (ATO) enabling you to make the withdrawal. See *How is the support provided?* for details of the process to access your superannuation.

Eligibility

Coronavirus measures

Australian citizens, permanent residents and New Zealand citizens with Australian held super are eligible to apply for early release under the measures. Temporary residents are not eligible.

To be eligible to access up to \$10,000 of your superannuation early under the coronavirus measures, you must meet one of the following requirements:

1. You are unemployed at the time of applying for the determination;

At the time of applying for the determination you are eligible to receive a job seeker payment, youth allowance for jobseekers, parenting payment (which includes the single and partnered payments), special benefit or farm household allowance; or

On or after 1 January 2020:

- you were made redundant; or
- your working hours were reduced by 20% or more; or
- You are a sole trader and your business was suspended or there has been a reduction in your turnover of 20% or more.

General early release measures

Outside of the coronavirus measures, you are able to access your superannuation early on compassionate grounds if you need money to pay for:

- medical treatment and medical transport for you or one of your dependants (a child or partner etc)

- palliative care for you or your dependant
- making a payment on a home loan or council rates so you don't lose your home
- accommodating a disability for you or your dependant
- expenses associated with the death, funeral or burial of your dependant.

If your application is rejected, you will be advised within 3 days via your MyGov account.

How is the support calculated?

Coronavirus measures

Under the coronavirus measures, you are able to apply for early release of up to \$10,000 of your superannuation once between 25 March 2020 and 30 June 2020, and again between 1 July 2020 and 24 September 2020.

Withdrawals under this measure will be tax-free and will not affect Centrelink or Veterans' Affairs payments.

If you have income protection, and/or life/total permanent disability insurance through your superannuation account, your superannuation may be affected if your balance falls below \$6,000.

General early release measures

Any superannuation you withdraw is taxed as a superannuation lump sum payment.

How is the support provided?

For Industry & retail funds

- Apply to the ATO through your myGov account (you will need to link the ATO to your account if you have not already)
- The ATO will issue a release authority to you and your fund
- The fund will then release the amounts to you

For Self Managed Superannuation Funds

- Check your trust deed for any specific provisions relating to the early release of superannuation
- Apply to the ATO through your myGov account (you will need to link the ATO to your account if you have not already)
- The ATO will issue a release authority to you and your fund
- The trustees must self-assess the criteria (ensure you document this process and have the member's documentation or a declaration from them)
- The SMSF will then release the amounts to the member

If you have multiple superannuation accounts, you can only release a total of \$10,000 across all accounts. You could for example, release \$8,000 from one fund and \$2,000 from another.

Ensure you check your superannuation fund balance before making any applications. If you make an application and the fund has insufficient money to fulfil the application, you will not be able to make a second application for the balance from another fund/account in that financial year. You also will not be able to seek the balance in the 2020–21 financial year above the \$10,000 cap.

For those eligible to access their superannuation, you can apply directly to the ATO through the [myGov](#) website from mid-April.

If you withdraw too much, you can recontribute the amount under the normal contribution rules.

Example

Rachel is a sole trader with a catering business.

The coronavirus has had a big impact on Rachel's catering business. Her turnover for July is \$5,000 compared to her average of \$10,000 per month for the second half of 2019. Rachel determines that her turnover has reduced by more than 20% compared to her average turnover over the last six months of 2019.

Rachel self-certifies that she is eligible for early release and applies to have \$10,000 released from her superannuation.

Adapted from Treasury: Early access to superannuation

Temporary reduction of pension minimum drawdown rates

Date	2019-20 and 2020-21
Applies to	Account-based and similar pensions

Eligibility

Individuals with account-based, allocated pensions, and market linked pensions.

How is the support calculated?

Age	Default minimum drawdown rates (%)	Reduced rates by 50% for 2019-20 and 2020-21 (%)
Under 65	4	2
65-74	5	2.5
75-79	6	3
80-84	7	3.5
85-89	9	4.5
90-94	11	5.5
95 or more	14	7

The minimum drawdown requirements for account-based pensions and similar products will be reduced by 50% in 2019-20 and 2020-21.

If you have already drawn down more than the required minimum, any deposits into the fund will be treated as a contribution and the normal contribution rules will apply.

The way your drawdowns are taxed will remain the same.

How is the support provided?

The reduction in the minimum draw down rates is automatic.

Example

Mike is 66 years old and he has an account-based pension with a value of \$200,000 at 1 July 2019.

Under the previous minimum drawdown requirements, Mike was required to drawdown 5% of his account balance over the course of the 2019-20 and 2020-21. This would have meant that Mike had to drawdown \$10,000 by 30 June 2020 to comply with the minimum drawdown requirements.

Under the coronavirus measures, Mike is now only required to drawdown 2.5 % of his account balance, that is, \$5,000 by 30 June 2020. If Mike has already drawn down over \$5,000 for 2019-20, he is not able to put the amount above \$5,000 back into his superannuation account.

On 1 July 2020 the value of Mike's account-based pension is \$180,000 (after drawdowns and investment losses). During 2020-21, Mike is required to drawdown \$4,500 (2.5% of his account balance).

Mike	1 July account-based pension balance	Minimum drawdown <u>before</u> measures	Minimum drawdown <u>after</u> measures
2019-20	\$200,000	\$10,000 (5%)	\$5,000 (2.5%)
2020-21	\$180,000	\$9,000 (5%)	\$4,500 (2.5%)

Adapted from Treasury: Providing support for retirees