

COVID-19 Government Economic Stimulus Superannuation

Over the past two weeks the Government has announced two economic stimulus packages to cushion the economic impact of the Coronavirus.

A total of \$189 billion is being injected into the economy by all arms of Government in order to keep Australians in work and businesses in business.

This includes \$17.6 billion for the Government's first economic stimulus package, \$90 billion from the RBA and \$15 billion from the Government to deliver easier access to finance, and \$66.1 billion in yesterday's economic support package.

For members of superannuation funds, including SMSFs, the Government has issued relief in the following areas:

1. **Temporarily reduce superannuation minimum drawdown rates**
2. **Early release of superannuation**
3. **Reducing social security deeming rates**

The Government is expected to issue guidance this week in relation to **Rent relief for SMSF tenants**.

This document summarises the four relief measures.

1. Temporarily reduce superannuation minimum drawdown rates

The Government is temporarily reducing superannuation minimum drawdown requirements for account-based pensions and similar products by 50 per cent for 2019-20 and 2020-21. This measure will benefit retirees by providing them with more flexibility as to how they manage their superannuation assets.

Age	Default minimum drawdown rates (%)	Reduced rates by 50 per cent for the 2019-20 and 2020-21 income years (%)
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

Individuals who have already taken their minimum pension amount for the 2019/20 financial year will not be able to put that money back into his superannuation account under these changes.

If your SMSF is unable to make the new minimum payments, please call us to discuss.

2. Early release of superannuation

While superannuation helps people save for retirement, the Government recognises that for those significantly financially affected by the Coronavirus, accessing some of their superannuation today may outweigh the benefits of maintaining those savings until retirement.

Eligible individuals will be able to apply online through myGov to access up to \$10,000 of their superannuation before 1 July 2020. They will also be able to access up to a further \$10,000 from 1 July 2020 for approximately three months (exact timing will depend on the passage of the relevant legislation).

The exact eligibility requirements will be formed in the coming days but broadly to apply for early release you must satisfy any one or more of the following requirements:

- you are unemployed; or
- you are eligible to receive a Job Seeker payment, youth allowance for Job Seekers, 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 per cent or more; or
 - if you are a sole trader — your business was suspended or there was a reduction in your turnover of 20 per cent or more.

If eligible, you will be able to apply for early release of your superannuation from mid-April 2020.

People accessing their superannuation will not need to pay tax on amounts released and the money they withdraw will not affect Centrelink or Veterans' Affairs payments.

If you are eligible for this new ground for early release, you can apply directly to the ATO through the myGov website: <https://my.gov.au/>

Separate arrangements will apply if you are a member of an SMSF.

3. Reducing social security deeming rates

As of 1 May 2020, the upper deeming rate will be 2.25 per cent and the lower deeming rate will be 0.25 per cent. The reductions reflect the low interest rate environment and its impact on the income from savings.

The change will benefit around 900,000 income support recipients, including around 565,000 people on the Age Pension who will, on average, receive around \$105 more from the Age Pension in the first full year that the reduced rates apply.

The changes will be effective from 1 May 2020.

For example:

Leslie and Brian are an age pensioner couple. They have \$550,000 worth of financial assets. They hold \$300,000 in a superannuation account with a conservative investment strategy which returned around 5 per cent last year. They have invested \$130,000 in a term deposit with an annual return of 1.5 per cent and hold the remainder in a cash transaction account earning a negligible rate of interest.

Under the former deeming rates, Leslie and Brian's Age Pension would have been reduced by \$65 each per fortnight. Under the new deeming rates, Leslie and Brian's Age Pension will only be reduced by around \$32 each per fortnight.

4. Rental relief for SMSF tenants

Many tenants of SMSF properties are experiencing severe financial hardship and may not be able to meet their rental obligations under the current lease. This includes related party businesses who are renting business real property from their SMSF.

Some non-SMSF landlords are providing rental relief to both residential and commercial tenants. This would be considered financial assistance which is prohibited under the SIS Act where there is a related party tenant. Also, any arrangement must be on an arm's length basis.

The ATO has advised that there will be issuing guidance in this area later this week.

For further details, please view the Government's [Coronavirus Fact Sheet – Providing Support for Retirees](#)

How can we help?

If you need assistance with understanding any of the recent announcements and whether they apply to you, please call Gemma Kovaloff at Rosenfeld Kant.