

Superannuation – Early release of super - coronavirus

Using superannuation as a savings vehicle is a tax-effective way to increase your savings to meet your retirement goals. The government provides tax concessions to superannuation and also limits your ability to access these savings unless a condition of release is met, such as retirement. However, in limited circumstances early access is available.

One of the early access conditions of release is compassionate ground – coronavirus. This has been introduced as a temporary measure as part of the government's overall response to the financial hardship caused by the coronavirus pandemic. This allows early access to your superannuation of \$10,000 in 2019/20 and a further \$10,000 in the first part of 2020/21.

How it works

Eligibility

To be eligible for early access to superannuation under compassionate ground - coronavirus, you need to meet any one of the following:

- be unemployed;
- be eligible to receive any of the following income support payments:
 - Jobseeker payment;
 - Parenting payment;
 - Special benefit;
- be eligible to receive Youth Allowance (excluding those receiving this payment who are undertaking full-time study or are new apprentices);
- have been made redundant on or after 1 January 2020 or had your working hours reduced by 20% or more; or
- are a sole trader who on or after 1 January 2020 had your business suspended or suffered a reduction in turnover of 20% or more.

Applications

You are only able to make two applications as follows:

- one in the 2019/20 financial year, and
- one in the 2020/21 financial year (but limited to 24 September 2020).

Each application is limited to a maximum of \$10,000 (\$20,000 in total) and only one application can be made in each of the financial years. To access the maximum amount, an application would need to have been made prior to 30 June 2020 to access up to \$10,000 the 2019/20 financial year. The second application needs to be lodged between 1 July – 24 September 2020 as the government has imposed a limit until this date as this is a temporary measure. This date may be extended if the government determines it is appropriate.

You can nominate an amount less than \$10,000 if you wish. This may apply if you hold less than \$10,000 in superannuation at the time of your application.

If you have \$10,000 or more in superannuation but nominate a lower amount, it is not possible to request a top-up amount. For example, if an application is made to release \$8,000 in the 2020/21 financial year, it is not possible to make a second application in 2020/21 to top up this amount.

Also, any amount withdrawn less than the \$10,000 in the 2019/20 financial year cannot be accessed as part of an application in the 2020/21 financial year. This is because the maximum amount under each application is \$10,000 and only one application can be made in each financial year.

If you have more than one superannuation account, it is possible to withdraw the maximum across multiple accounts as long as the total withdrawn does not exceed \$10,000. For example, \$2,000 is taken from one account and \$8,000 from another.

Superannuation trustees are required to pay the amount as soon as practicable after receiving the determination from the ATO. There are no other additional requirements that need to be completed by the person (e.g. application form for the fund).

The superannuation payment made under this condition of release is tax free (i.e. classified as non-assessable and non-exempt income). However, this tax-free status only applies to payments under this condition of release. If you access superannuation under another condition of release, such as financial hardship or other compassionate grounds, tax may be payable depending on your age and whether you've fully utilised the low rate cap.

Application process

Applications are made directly to the Australian Taxation Office (ATO) through your myGov account (<https://my.gov.au/>). The ATO can assist in setting up your myGov account.

The ATO collects the necessary information, including a declaration from you that you are eligible to access your superannuation under this condition of release. Once the ATO has the necessary information and approves the release of funds, a determination is sent to you and directly to your superannuation fund. This determination also states the amount to be released. Upon receipt of this determination your superannuation fund can then commence taking steps to pay this amount to you as soon as possible.

Taxation and social security

A withdrawal under compassionate ground – coronavirus is received tax-free. It does not impact entitlements to any social security payments or entitlements.

Risks and consequences

- Accessing your superannuation reduces your retirement savings and will result in lower investment earnings over time. As a result, you may need to work longer to meet your retirement objective or have less income available for retirement.
- Withdrawing funds from superannuation during a time when the market is falling means that you may crystallise investment losses. However, this is influenced by the structure of your superannuation fund.
- If your superannuation account balance falls below \$6,000, has no insurance, and is considered an inactive account, the account balance may be transferred to the Australian Taxation Office (ATO). The ATO will, generally, then direct this balance to another of your active superannuation accounts.

- The actual withdrawal will not impact your government income support entitlement if it is used to meet your expenses. However, if you retain or invest the withdrawn amount it may be included under the assets and income tests when assessing your entitlement, and you need to notify Centrelink of a change in your situation within 14 days.
- Some fees may apply on the withdrawal of your superannuation.
- Any insurance you hold in your superannuation fund will be cancelled when the fund is closed. This could impact your other financial goals such as the provision of funds for your family. It may also be more difficult or more expensive to obtain insurance cover in the future.

Version: 1.1

Issue date: 4 August 2020

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