# Super in 2023 BONUS (13)

Already rolling into March…2023 is flying by!

From a superannuation standpoint, following are just some of the changes you can expect this year:

**Super guarantee increase**

Employers face an increase to their SG liability this year. The rate of SG will increase from 10.5% to 11% from 1 July 2023, before gradually hitting 12% on 1 July 2027 as follows:

***Super guarantee percentage***

| Period | General super guarantee (%) | Super guarantee (%) for Norfolk Island (transitional rate) (from 1 July 2016) |
|---|---|---|
| 1 July 2022 – 30 June 2023 | 10.50 | 7 |
| 1 July 2023 – 30 June 2024 | 11.00 | 8 |
| 1 July 2024 – 30 June 2025 | 11.50 | 9 |
| 1 July 2025 – 30 June 2026 | 12.00 | 10 |
| 1 July 2026 – 30 June 2027 | 12.00 | 11 |
| 1 July 2027 – 30 June 2028 and onwards | 12.00 | 12 |

SG is payable on ordinary time earnings (which therefore excludes overtime payments) and may be payable to contractors as well as employees. A liability to a contractor will arise where the contract they work under is wholly or principally for their labour or skills.

The increased rate of 11% will need to be applied to any payments of ordinary time earnings made on and after 1 July 2023, even if some or all of the relevant pay period relates to work performed before 1 July.

**Returns are generally healthy**

All things being equal, you can expect a positive return on your super this year.

While returns were minus almost 5% in 2022, negative returns are the exception. There have been only four negative years since 2000 in a period that has spanned September 11, the GFC, and COVID-19.

The average return for the average balanced fund since 2000 is 6.1% – that's $61,000 a year for every $1 million you can get into super. After double-digit returns in 2017, 2019 and 2021, 6.1% may sound modest, but it is entirely reasonable. In fact, 6-7% is what you can expect over the long term. The period of artificially low rates that inflated annual returns is over, with interest rates now normalised. Estimate your super investment growth using a 6.1% annual return.

**A cap to end all caps**

As was announced on 28 February by the current government, a cap on the amount you can have inside superannuation taxed at 15% (not just in a tax-free retirement account) may be imminent. At present, the amount of super on which earnings are taxed at just 15% is unlimited. The government has announced that this 15% rate of tax will be limited to $3 million. Earnings on amounts exceeding that, will be taxed at 30% from 1 July 2025, the government has announced. However, even if this cap finds its way into law, 99.5% of individuals will not be impacted as they hold less than $3 million in their super fund

**An extra $200,000 into super this year**

Although indexation has adversely contributed to the cost of living, it does have a superannuation upside!

The massive 7.8% inflation rate has triggered what's called a double indexation in super – and means that the amount of money that can be put into tax-free super is going to turbocharge super contributions..

From July 1, the amount an individual can have in super where the earnings are tax-free in your retirement phase will jump from $1.7 million to $1.9 million. This is a significant change – the tax-free limit has only moved higher once since it was introduced in 2016 (moving by $100,000, from $1.6 million to $1.7 million). The $200,000 increase is a formality unless the government announces an indexation freeze in the upcoming May federal budget.