

31 March 2020

COVID-19 Temporary early release of superannuation

Important:

Before applying for early release individuals should consider:

- Given the falling share market, individuals need to be aware they will be crystallising any losses incurred.
- Care needed with withdrawals to ensure account balance is sufficient to maintain insurance coverage, including Death/TPD and Income Replacement, where insurance premiums are deducted from the individual's superannuation account.
- Consideration of impact of withdrawals and other actions now on future retirement funding.

From 20 April 2020 individuals affected by COVID-19 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 until 24 September 2020.

Individuals are restricted to a single application in a financial year. This means that a person cannot make multiple applications in the same financial year to release more than \$10,000 for that year.

It also means that an individual who requests an amount of less than \$10,000 in their application for a financial year cannot make a subsequent application in the same financial year to release the difference between that originally requested amount and the \$10,000 limit (for example, a person who has requested that \$6,000 be released cannot subsequently request that another \$4,000 be released).

However, an individual with multiple accounts who has less than \$10,000 in any one account is able to nominate more than one account from which amounts are to be released when they request the determination.

If a sole trader whose business is affected by COVID-19 does not employ anyone, they cannot access the business cash flow assistance payments (up to \$100,000); however they can access this measure which allows them early access to their superannuation.

Eligibility

To apply for the COVID-19 early release, an individual must satisfy any one or more of the following requirements:

- They must be unemployed; or
- They must be eligible to receive a jobseeker 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:
 - they were made redundant; or
 - their working hours were reduced by 20 per cent or more; or
 - if they are a sole trader, their business was suspended or there was a reduction in their turnover of 20 per cent or more.

These requirements ensure that access to the early release of superannuation on this additional compassionate ground is targeted to those individuals who have been affected by the adverse economic impacts of Coronavirus.

How to determine an individual's working hours and turnover of a sole trader:

The requirements about reductions in an individual's working hours or in their turnover as a sole trader are determined by reference to changes that have occurred since 1 January 2020.

This requires a comparison of an individual's working hours or turnover at the time they make the application and their usual hours prior to 1 January 2020. For example, an individual would be eligible to apply for a determination if they had a 20 per cent or more reduction in their usual working hours or turnover relative to the second half of 2019.

Taxation and Social Security treatment

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

How to apply

Individuals will be able to apply online directly to the ATO through their myGov account (www.my.gov.au) for early release of their superannuation from 20 April 2020. For those who are unable to access online services, the individual will be able to call the ATO, confirm their identity and complete the application over the phone.

The application requires the individual to certify that they are eligible and includes information about the consequences of making false applications. The individual then proceeds to:

- review a list of open accounts they have and the last account balance reported for that account (in most cases that is 30 June 2019)
- input the amount they would like to release from each account (there are no limitations on what the individual can input only that in total the amount can't exceed \$10,000)
- put the bank account details (account name, BSB and number) they would like the money paid into, authorise the ATO to provide it to the super fund and that the super fund release the money into that account.

An application for release must be made within six months of the amendments commencing.

ATO's assessment and payment

Once the ATO has processed the application, they will issue the individual with a determination, and provide a copy of this determination to the individual's superannuation fund, which will advise them to release the superannuation payment.

The fund will then make the payment to the individual without them needing to apply to the fund directly. However, to expedite payments, it would be prudent for individuals to immediately ensure that the fund has the correct details, including current bank account details and proof of identity documents.

Separate arrangements will apply for members of self-managed superannuation funds. Further guidance will be available on the ATO website: www.ato.gov.au.

Update on customer verification obligations from AUSTRAC

In response to the COVID-19 pandemic AUSTRAC will introduce a Rule under the Anti-Money Laundering and Counter-Terrorism Financing Act (AML/CTF). This Rule will ensure that superannuation funds making payments to their members under this initiative for temporary early release of superannuation, where the payment is approved by the ATO and processed through myGov and ATO online, will not have to conduct additional customer verification under the AML/CTF regime.

Please note at this point AUSTRAC have not indicated any changes to the customer verification process for other payments or redemptions. Zurich is keeping on top of further announcements from AUSTRAC and will let you know if there are any additional changes in this respect.

Further information

Zurich will be monitoring developments closely and updating this page with new developments as they arise. In the meantime, as always, please reach out to your financial adviser or Zurich Customer Care Team on 131 551 if you have any questions on the above.

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