31 January 2025

Pre-Budget Submissions
Treasury
Langton Cres Parkes ACT 2600
Via email: PreBudgetSubmissions@treasury.gov.au

VIC and National Office
L22, 130 Lonsdale St
Melbourne 3000

PO Box 24231
MELBOURNE VIC 3001

Cbus pre-budget submission 2025-2026

Cbus welcomes the opportunity to provide a 2025-2026 pre-budget submission.

Background

Cbus has been part of the Australian building and construction and related sectors for 40 years. Today, we are an award-winning fund, and one of Australia's largest industry super funds, managing more than $94 billion of superannuation for more than 900,000 members. Our mission is to deliver the best possible retirement outcomes for our members and be the number one specialist super fund in our target sectors.

Our members are predominantly from the building and construction, energy and related sectors, with a high proportion of members working in higher risk occupations. We also have members in the printing, media, entertainment and arts industries. Their occupations tend to be more itinerant in nature and are more at risk of unpaid super.

Submission overview

Cbus Super's Pre-Budget Submission 2025-26 focuses on strengthening Australia's superannuation system to better serve workers, particularly young tradies, and those in precarious employment.

Our recommendations focus on making the system fairer and ensuring everyone has a secure retirement. By updating key policies, the Government can strengthen retirement savings, provide better support for members, and keep superannuation strong for the long term.

Our recommendations cover six key themes:

1. Better targeted support for young and low-income workers
2. Urgently address unpaid superannuation
3. Better support for workers who involuntarily retire early
4. More flexibility for retiring workers
5. Make super simpler
6. Insurance through super

These targeted measures will enhance retirement security, simplify access, and ensure that every worker's super is working as hard as they do.

ACT
2 Badham St
Dickson 2602

NSW
L25, 44 Market St
Sydney 2000

NT
1/29 Daly St
Darwin 0800

QLD
L3A, 300 Adelaide St
Brisbane 4000

NORTH QLD
Unit 2,
31 Thuringowa Dr
Kirwan 4817

SA
Ground Floor,
50 Flinders St
Adelaide 5000

TAS
PO Box 2001
North Hobart 7002

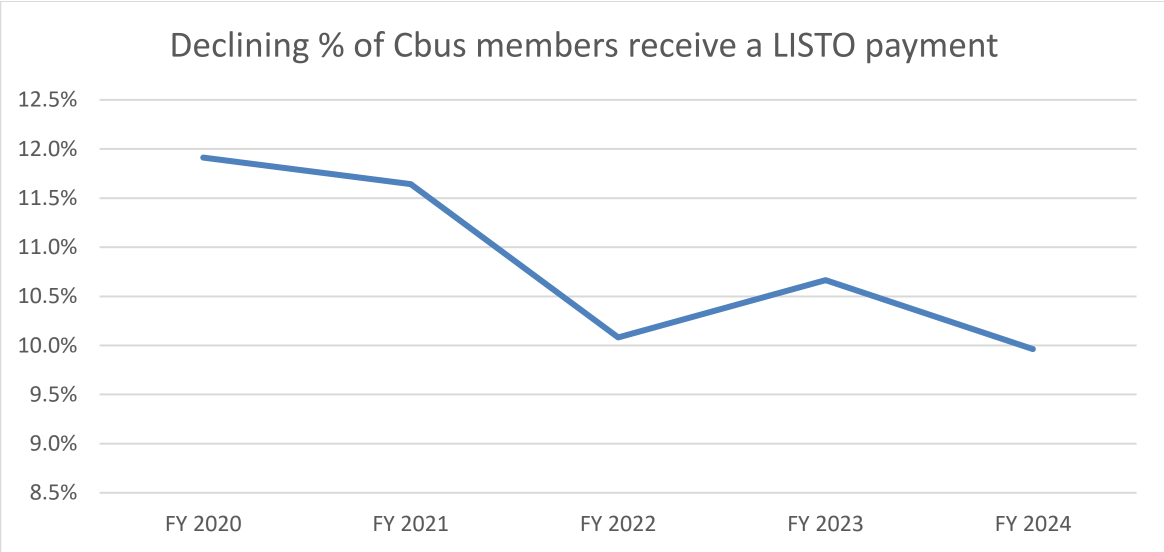
WA
L1, 82 Royal St
East Perth 6004

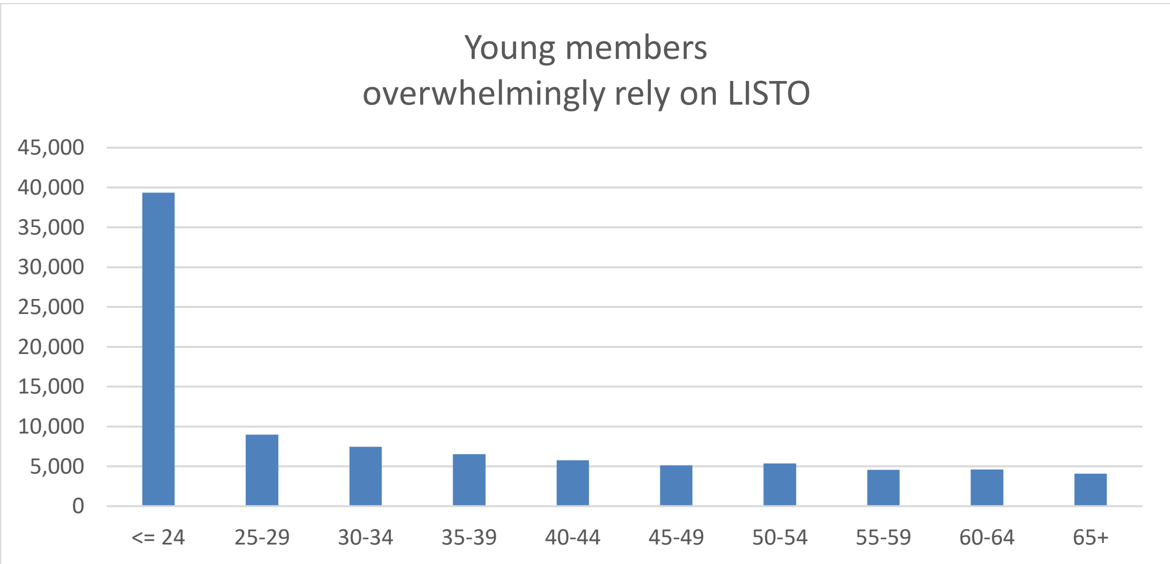
Better targeted support for young and low-income workers

Recommendation: *Raise the income threshold for LISTO from $37,000 to $45,000, and increase the cap on how much LISTO is paid from $500 to $810.*

The Low-Income Super Tax Offset (LISTO) was introduced to protect lower-income earners from paying more tax than is fair. However, the rules haven't kept up with changes to tax and superannuation – with many workers missing out on the tax benefit as it was originally intended.

Today, fewer Cbus members qualify for LISTO than 5 years ago, leaving many young tradies without an additional investment in their financial security and the compound returns this brings over their working lives.





The Government should raise the income threshold for LISTO from $37,000 to $45,000, and ensure this threshold is permanently aligned with changes to the lowest tax bracket.

Raising the LISTO cap from $500 to $810 is a necessary step to support low-income workers, including thousands of Cbus members. The current cap was set when the SG rate was 9.5%, but with the rate increasing to 12% by July 2025, workers earning just $27,778 pa. will hit the limit.

Cbus analysis estimates that over **37,000** Cbus members could benefit from raising the income threshold to $45,000, while an additional **20,000** members could benefit from increasing the LISTO cap from $500 to $810. Overall, **57,000** members could benefit from these changes.

To support this change, the Government should pass the *Better Targeted Superannuation Concessions Bill.* Reducing tax concessions for individuals with superannuation balances over $3 million would generate revenue to increase the LISTO threshold and boost the maximum payment.

Urgently address unpaid superannuation

Unpaid super is a steady leak in Australia's retirement system and unfortunately common in the building, construction, and allied industries – having a significant impact on the retirement savings of Cbus members. Cbus collected $198.2 million during FY24. Over the past five years, Cbus has recovered over $600 million in unpaid super for over 665,000 members.

Research by Super Members Council (SMC) shows that 41% of labourers are impacted by unpaid super, followed by machinery operators and drivers at 36%, and technicians and trade workers at 31%[1].

If super isn't paid, this doesn't just impact members' account balances, it also impacts their investment returns over time. It could even mean members' insurance cover is cancelled, leaving them in an especially vulnerable position.

Recommendation: *Introduce and pass legislation that requires super to be paid on payday.*

Strong legislation needs to be introduced and passed to support super being paid on payday. This should be accompanied by support for the Australian Tax Office (ATO) to take a strict and proactive approach to investigating and recovering unpaid super – alongside penalties on those who do not meet their obligations. Legislation needs to be passed without delay to ensure there is sufficient time for the ATO, businesses and super funds to prepare for a smooth transition before 1 July 2026.

The ATO must also commit to publishing quarterly aggregated data on unpaid super, including by industry to ensure the issue is continually monitored. It should also work more closely with super funds to help identify cases of unpaid super. Cbus is one of the few super funds that proactively collects unpaid super for its members, recovering over $600 million for 667,000 members over the last five years, and we would welcome a more collaborative approach with the ATO in addressing unpaid superannuation for our members.

Recommendation: *Expand the Fair Entitlements Guarantee (FEG) safety net to include superannuation.*

The Fair Entitlements Guarantee is a vital safety net for workers that lose their jobs due to insolvency and is particularly important at a time when insolvency in the construction sector is at record highs.

Cbus welcomed recent changes by the Government to recalibrate the FEG Recovery Program to include unpaid superannuation but believe this needs to go one step further by expanding the FEG itself to include unpaid superannuation. This is necessary to better protect the retirement outcomes of Australian workers who stand to lose their superannuation entitlements due to insolvency.

Cbus members support changes to address unpaid super:

"They need to tighten things up, it needs to be as important to the government as getting tax." Cbus member

"The Government should have a mechanism to ensure that it's going in." Cbus member

"Make my boss pay my superannuation." Cbus member"

[1] https://smcaustralia.com/app/uploads/2024/08/Fixing-unpaid-super-SMC-Report-August-2024.pdf

Better support for workers who involuntarily retire early

Recommendation: *Align JobSeeker indexation with the Disability Support Pension (DSP) and Carer Payment, and increase the base rate of JobSeeker to better support injured and chronically ill workers who are forced to exit the workforce early.*

A fair retirement system must treat all workers with dignity, recognising the unique toll that physically demanding jobs have on health and longevity. Policy choices need to reflect this reality because every worker—whether on a building site or in an office—deserves a secure retirement.

For those who cannot continue working due to health or injury, meaningful income support and fair access to retirement resources are essential. Working-age payments like the DSP and JobSeeker are vital for these people, particularly for manual labourers who often cannot sustain their jobs until they reach the superannuation preservation age or Age Pension eligibility.

Raising the preservation age or Age Pension eligibility would disproportionately harm blue-collar and low-income workers. Many lack the financial buffer to bridge the gap, especially those with lower super balances or impacted by extended unemployment due to injury. It would create a two-tier system where wealthier, white-collar workers can choose their retirement timing, while low-income, manual workers face greater financial hardship.

A modern retirement system must address this disparity and protect vulnerable workers who are forced to retire early through no fault of their own. By aligning JobSeeker with DSP and Carer Payment indexation, and increasing the base rate, the Government can provide a fairer bridge for those exiting the workforce early due to injury or health issues, particularly in physically demanding sectors.

Experience of Cbus members that have had health issues which have impacted their ability to work:

"Got injured at work employer doesn't want me back until I'm 100% which won't happen" Cbus member

"My body wasn't coping with manual work anymore" Cbus member

"I hurt my back at work and couldn't go back to my pre injury work" Cbus member

More flexibility for retiring members

For decades, default protections in accumulation have worked well for members. But as more people enter retirement, they should have the same protections to ensure their interests are safeguarded. Retirement isn't a one-size-fits-all moment when a worker hits 67 – it looks different for everyone. This is especially true for Cbus members, many who face a phased retirement, moving in and out of work as they age, or are forced into early involuntary retirement through no fault of their own.

Recommendation: *Allow members to make contributions to pension accounts*

Currently, members in either a transition to retirement account or account-based pension cannot make contributions to their account – as a result they may be required to:

- Have two separate accounts and pay two sets of fees – keeping an accumulation account open for ad hoc work or in case of a return to work. Over 40% of Cbus members in retirement phase also hold an accumulation account.
- Retain an accumulation account only and just make lump sum withdrawals to make ends meet during periods out of work (and unnecessarily pay 15% earnings tax).

Allowing members to make contributions to a pension account would enable these members to only hold one account and would simplify the system for these members.

Recommendation: *Remove minimum drawdown requirements for members with low balances.*

There are practical steps that Government can take to make a real difference to super fund members, such as removing minimum drawdown rates for those with low balances. Members with more modest balances will have a much higher need for flexibility than the existing system provides, given their superannuation funds are often used as money for a 'rainy day' and is particularly vital as they navigate the years between early retirement and age pension eligibility age of 67.

Current minimum drawdown requirements unfairly force members with low balances to drain their super too quickly or in ways that don't suit their needs. Many would prefer to make lump sum withdrawals when needed – let's allow members with low balances to access their super at a pace that suits their needs – not one dictated by rigid rules.

Make super simpler

Super is complex, and that complexity creates real costs for members. Many get lost in the system or miss out on realising the full potential of their retirement savings because it's too hard to navigate. Simplifying super isn't just good policy – it's essential to making sure members get what they have earned, without barriers or confusion.

Whilst financial advice will play a key role in supporting members in retirement, it is not sustainable or scalable at an individual or system level to rely on every single individual member obtaining personal financial advice to make an optimal financial decision.

Recommendation: *Unlock government data to cut paperwork*

Paperwork is a significant pain point for members, and especially for those with lower financial literacy. Government agencies including Services Australia and the ATO collect and hold a significant amount of information directly relevant to members' employment, income, and retirement. Government already collects all the information required to identify under and non-payment of super.

Government should, with members' consent, share relevant information directly with a member's superannuation fund. This would enable funds to give members better advice, pursue unpaid super, pre-populate forms for members, and support members to achieve a better understanding of their financial position before and in retirement.

Recommendation: *Simplify tax deduction claims for super contributions*

The process to claim a tax deduction for a personal super contribution is unnecessarily burdensome and complex for both individuals and superannuation funds to manage. Members must complete a notice of intent to claim and wait to receive confirmation from their super fund. This form must also be completed prior to completing their tax return or the end of the financial year (whichever is earlier) and during this time there are also restrictions on the member making a withdrawal or rolling over to another fund.

Providing the capability for members to lodge their super contribution tax deduction claim via the myGov portal would simplify the process for members, ensure information is correctly captured in a member's tax return and could remove the restrictions that currently apply.

Insurance through super

Insurance through super provides a crucial support for workers, especially those in in hazardous jobs in construction and energy. It's important for the budget too, with under-insurance across death and TPD estimated to cost the Australian Government more than $600 million per annum in additional social security payments, a problem which has been exacerbated in recent years due to legislative change substantially reducing the number of Australians insured through superannuation.[2] [3]

The system can always be improved, and overly complex rules can cause needless stress for members and their families when making a claim. Government should look to remove unnecessary legal and administrative hurdles so that members can make a binding death nomination, harmonise death certificate requirements across all states to prevent delays for grieving families, and improve data sharing between government agencies and super funds to reduce paperwork and processing times.

Recommendation: *Enhance insurance through super by removing unnecessary legal and administrative constraints.*

[2] See: The future of insurance through superannuation, Deloitte (2022) https://www.superannuation.asn.au/wp-content/uploads/2023/09/Insurance_through_superannuation_FINAL_v2.pdf

[3] See: Developments in insurance provided through superannuation, ASFA (2024) https://www.superannuation.asn.au/media-release/asfa-concerned-by-significant-drop-in-life-insurance-coverage/