PRICE ROBERTS + CO
Chartered Accountants

+ 2017 Superannuation Changes

The main superannuation changes from 1 July 2017 are:

- A reduction in the concessional contribution limit to $25,000;
- Greater flexibility for deductible contributions and a concessional contributions catch up scheme;
- A reduction in the yearly non-concessional contribution cap to $100,000 and (if eligible) a new bring forward amount of $300,000;
- Changes to the tax exemption on earnings for transition to retirement (TTR) pensions;
- Spouse super contribution rebate eligibility extended; and
- A new transfer balance cap of $1.6m

Changes to concessional contributions

From 1 July 2017 the cap on concessional contributions (sum of employer and personal deductible contributions) is reducing from the current $30,000 (or $35,000 for those over 49) down to a flat cap of $25,000.

Greater flexibility for superannuation contributions

From 1 July 2017 all members will be entitled to make tax deductible contributions up to the concessional contribution cap. The 10% rule (which restricted personal contributions if an individual was receiving employment income with super support that was 10% or more of their total income) will be removed.

Accordingly individuals will be able to top up their concessional super contributions eg. if an employer contributes $10,000 of superannuation for an employee for the year then the employee might consider contributing up to $15,000 (ie. the $25,000 contribution cap less $10,000 employer contribution) into super and claim this amount as a personal tax deduction.

Additionally if a member's total super balance (of all funds) is less than $500,000 at 30 June in the prior year, they may make catch up contributions for any unused concessional contributions from 1 July 2019. This could be really useful for members who plan to realise a large capital gain in a particular year or have highly variable annual taxable incomes. *Remember super contributions may be locked away for some time and any tax advantages need to be considered against personal cash flow and accessibility to super issues.*

Changes to non-concessional contributions

From 1 July 2017 the non-concessional contribution (NCC) cap has been reduced to $100,000 (or a maximum bring-forward amount of $300,000, subject to being less than 65 years of age and bring forward transitional rules).

The bring-forward rule allows those less than 65 years of age to bring forward the next two years' worth of non-concessional contributions. It is triggered in a year where you contribute more than the current year NCC limit.

For those less than 65 the NCC transitional arrangements allow for NCC caps of $460,000 if the bring-forward rule is triggered in the 2015/16 year and $380,000 if triggered in the 2016/17 year.

Where the bring-forward rule has not been triggered in the 2013/14, 2014/15 or 2015/16 years there is a limited opportunity for a bring-forward contribution of up to $540,000 prior to 30 June 2017.

Remember triggering the bring-forward rule sets the maximum NCC contributions for the current and next two financial years. Further, don't forget that contributions include the payment of fund expenses by a member.

Importantly members with more than $1.6m in super are ineligible to make additional non-concessional contributions.

Changes to the tax exemption on earnings for transition to retirement (TTR) pensions;

From 1 July 2017, the government will remove the tax-exempt status of earnings from assets that support a TTR pension (pensions paid to members aged between 55 and 65 years of age who are not retired). Earnings from assets supporting a TTR pension will be taxed at 15% regardless of the date the pension commenced.

Additionally super income stream payments may no longer be treated as lump sums for taxation purposes.

Spouse rebate eligibility widened

From 1 July 2017 eligibility for the 18% spouse super contribution rebate (a rebate of up to $540 where you make a non-concessional super contribution for your spouse) has been extended through the spouse's income threshold increasing from $10,800 to $37,000 (shading out at $40,000).

$1.6m pension transfer balance limit

The $1.6m transfer balance limits the total superannuation savings that can be transferred from accumulation phase into a "tax-free retirement account".

An individual's transfer balance account (TBA) identifies how much an individual has used of their transfer balance cap. It is not transferable (eg. to a reversionary beneficiary); each person has their own TBA. Amounts that are credited towards (counted in) an individual's TBA are the:

- value of all super interests the member has in pension phase on 30 June 2017;
- commencement value of new super pensions;
- value of reversionary pensions at the time the individual becomes entitled to them; and
- excess transfer balance earnings that accrue on excess TBAs.

TBAs are not effected by investment gains or losses or pension payments; however a member's transfer balance account is debited (dollar for dollar) when they commute (partially or fully) the capital of a pension.

Where a member exceeds their TBC they may either:

- remove the excess from the superannuation system (commute the excess); or
- maintain the excess within super but in accumulation phase (thereby subject to 15% tax on earnings and 10% on capital gains held for more than 12 months).

Please contact our office with any accounting or taxation questions.