SYMES ACCOUNTANTS
Business Advisors and Accountants

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SUPERANNUATION - 7 KEY CHANGES

EFFECTIVE 1 JULY 2017

1. NON-CONCESSIONAL CONTRIBUTION (NCC) CAP REDUCTION

The yearly NCC cap will be lowered to $100,000 but no NCC cap is available for a financial year (the "contribution" year) if the person's total superannuation balance on 30 June in the immediately prior financial year was $1.6 million or more.

2. CONCESSIONAL CONTRIBUTION (CC) CAP REDUCTION TO $25,000 PA

A CC cap of $25,000 will apply to everybody, regardless of age or the person's superannuation balance. This cap will be indexed in $2,500 increments.

3. REMOVAL OF EARNINGS TAX EXEMPTION ON ASSETS BACKING TRANSITION TO RETIREMENT (TTR) INCOME STREAMS

Where assets are supporting a TTR income stream, the tax exemption will no longer be available from 1 July 2017. Therefore earnings on fund assets supporting a TTR, after this date will be subject to the same maximum 15% tax rate applicable to an accumulation account in the fund. Existing rules will apply for the 2016-17 financial year.

4. REMOVAL OF '10% TEST' TO CLAIM A TAX DEDUCTION FOR PERSONAL SUPERANNUATION CONTRIBUTIONS

The requirement that an individual has to earn less than 10% of their income from employment related activities to qualify to claim a tax deduction for a personal super contribution is removed. This means that any individual who is eligible to contribute will be able to claim a tax deduction for their personal super contributions.

5. INTRODUCTION OF $1.6 MILLION PENSION TRANSFER BALANCE CAP

The $1.6 million pension transfer balance cap will limit the total amount of superannuation benefits that an individual will be able to transfer into the retirement income phase where investment earnings continue to be tax exempt. Subsequent earnings on retirement income streams / pension balances will not form part of this cap (but conversely any investment losses cannot be topped up).

Where an individual accumulates superannuation amounts in excess of $1.6 million, they will be able to roll-back and maintain this excess amount in a superannuation accumulation account (where earnings will be taxed at the concessional rate of 15%). Alternatively, the excess can be removed from the super system (usually tax-free as the person will typically be age 60+) and invested "outside" super.

6. REDUCTION TO THE DIVISION 293 THRESHOLD TO $250,000 (ADDITIONAL 15% CONTRIBUTIONS TAX ON HIGH INCOME EARNERS)

The Division 293 tax currently applies to members whose modified income exceeds $300,000 pa. From 1 July 2017, the Division 293 income threshold will lower from $300,000 to $250,000 (not affecting 2016-17 financial year). The definition of income will remain the same. Broadly, an additional 15% tax is payable on concessional contributions when Division 293 applies, resulting in concessional contributions being taxed at up to 30%.
Special rules apply to members of constitutionally protected funds.

7. ABILITY TO MAKE 'CATCH-UP' CONCESSIONAL CONTRIBUTIONS

Contributors who do not use their entire concessional contributions (CC) cap in a year will be able to carry-forward the unused amount for up to five years to effectively increase their CC cap in later years. The five year carry-forward period will commence from 1 July 2018, meaning that the first year in which an individual can make additional CCs from their unused CCs cap is the 2019-20 financial year.

This will be available to individuals who have both:
1. A total superannuation balance of less than $500,000 on 30 June of the previous financial year
2. Unused CCs cap amounts from one or more of the previous five financial years

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CPA AUSTRALIA

PERSONAL SUPERANNUATION CONTRIBUTIONS

Removal of the ‘10% Test’

Now

More than 10% Income*
from Employment Sources

* includes assessable income, reportable fringe benefits and total reportable employer superannuation contributions

= Not Eligible to Claim Tax Deduction for Personal Super Contributions

From 1 July 2017

Age 65 or Under
&
Age 65-74*

*working 40hrs over 30 consecutive days

= May be eligible to Claim Tax Deduction for Personal Super Contributions

EXAMPLE

Gross Wages	$6,000		
PAYG WH	Nil	$28,000	
Reportable Fringe Benefits	$22,000	(14%)	$198,000
Business Income	$170,000		
Less Deductions	$-18,000		
TOTAL TAXABLE INCOME	$158,000		

Now

Reportable Fringe Benefits are included in the 10% income (disadvantaged)

*Generally receiving minimal superannuation on wages
*Tax rate of 40%
*Couldn’t claim personal deduction for superannuation

From 1 July 2017

From 1st July 2017 you can **contribute up to $25,000** and claim a tax deduction due to removal of 10% test.

NOTE - Superannuation Fund pays tax at 15%
(This is 30% if adjusted taxable income is more than $250,000)

Contributions into Superannuation	$25,000		
Personal Income tax Savings	$25,000 @ 39%	$9,750	
Tax Paid by Superannuation Fund	$25,000 @ 15%	$3,750	
BETTER OFF BY			**$6,000**

Disclaimer: This example is purely from a tax perspective and other factors have regarding the situation have not been considered. This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact Symes Accountants to discuss these matters.

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