

BIG CHANGES ARE COMING TO SUPER...



On 1 July 2017 big changes are coming to super. It's important to understand what the new rules are - and how they will affect you. While the changes are wide-ranging, most relate to the super contributions cap. That is, how much you're allowed to put into super to take advantage of the generous tax environment super offers.

Changes to concessional contributions

Concessional contributions are contributions you can make to super with your before-tax salary. For most people concessional contributions are taxed at just 15 per cent - not your marginal tax rate.

What are the new caps for concessional contributions?

The Government has reduced the cap on concessional contributions as shown in the following table:

Age	Current annual cap*	Annual cap after 1 July 2017*
Under 50	\$30,000	\$25,000
50 or over	\$35,000	\$25,000

* Remember - your employer's 9.5 per cent Super Guarantee contributions count towards your concessional contributions cap.

Carry forward unused contributions

While the annual concessional contribution cap is coming down, from 1 July 2018 new rules let people with super balances under \$500,000, 'carry forward' up to five years of the unused portion of their concessional contributions cap.

Case study one:

Mary makes a payment of \$10,000 in concessional contributions in the 2018/19 financial year, and \$15,000 in concessional contributions in the 2019/20 financial year.

In the 2020/21 financial year, Mary will be able to 'carry forward' her unused cap of \$25,000 from the previous two financial years, plus the \$25,000 limit for the year, for a total contribution of \$50,000.

Contributions tax

Currently concessional contributions are taxed at 15 per cent for people who earn less than \$300,000 climbing to 30 per cent for those who earn more.

From 1 July 2017, the 30 per cent tax rate commences on incomes of \$250,000 or more.

Changes to non-concessional contributions

Non-concessional contributions (NCCs) are those contributions you make to super with your after-tax dollars.

What are the new caps for NCCs?

The Government has reduced the cap on non-concessional contributions from 1 July 2017 as shown in the following table:

Current	After 1 July 2017
\$180,000 annually	\$100,000 annually
or	or
\$540,000 over three years for those under 65	up to \$300,000 over three years for those under 65

In addition to the lower annual caps, people with a super balance of more than \$1.6 million will not be able to make non-concessional contributions from 1 July 2017.

The 'bring forward' rule is also changing

The 'bring forward' rule is a taxation rule that lets you contribute up to three times the NCC cap in a financial year (for those under age 65 at any time in the year), by bringing forward your allowed contribution from the next two financial years.

With the new \$1.6 million super balance cap, the number of years you can bring forward your contribution may be limited by your super balance as shown in the following table:

Balance is between	Maximum NCC cap available
\$0 – \$1.4 million	\$300,000 (up to three years annual cap)
\$1.4m – \$1.5m	\$200,000 (up to two years annual cap)
\$1.5m – \$1.6m	\$100,000 (no bring forwards available)
\$1.6m+	Nil

Have you already triggered the bring-forward rule?

If you trigger, or have triggered, the bring-forward rule in 2015/16 and 2016/17 and have not fully used your NCC bring-forward limit before 1 July 2017, your available limit will be lowered as follows:

1. If you triggered the bring-forward cap in 2015/16, your cap will be reduced from \$540,000 to \$460,000 (\$180,000 for 2015/16 + \$180,000 for 2016/17+ \$100,000 for 2017/18)

Case study two:

Jo (age 50) triggered the bring forward rule in 2015-16 by making a \$300,000 non-concessional contribution. She makes no non-concessional contributions in 2016-17.

On 1 July 2017, she inherits a lump sum of \$240,000 which she intends to contribute to super to fully utilise her bring forward cap (originally \$540,000).

But from 1 July 2017, her new bring forward cap is recalculated to be \$460,000 (to take into account the reduced cap of \$100,000 for the 2017-18 financial year).

As Jo has already contributed \$300,000, she can only contribute further non-concessional contributions of \$160,000 during 2017-18 (not her full inheritance of \$240,000).

2. If you trigger the bring-forward cap in 2016/17, your cap will be reduced to \$380,000 (\$180,000 + \$100,000 + \$100,000).

Case study three:

Albert (age 50) triggered the bring forward rule in 2016-17 by making a \$300,000 non-concessional contribution.

On 1 July 2017, he inherits a lump sum of \$240,000 which he intends to contribute to super to fully utilise his bring forward cap (originally \$540,000).

On 1 July 2017, his new bring forward cap is recalculated to be \$380,000 (to take into account the reduced cap of \$100,000 for the 2017-18 and 2018-19 financial years).

As Albert has already contributed \$300,000, he can contribute further non-concessional contributions of \$80,000 during 2017-18 and 2018-19 combined (not his full inheritance of \$240,000).

What else is changing?

Removing the earnings exemption for assets backing Transition to Retirement pensions

If you're close to retirement, there may be the ability to access your super in a limited fashion through a transition to retirement pension.

Currently, income and capital growth on the investments behind a transition to retirement pension receive the same tax treatment as a full retirement account-based pension, meaning these earnings are tax free. From 1 July 2017, investment earnings on assets invested in a transition to retirement pension will be taxed at up to 15 per cent – in line with existing tax rates on accumulation funds.

Removal of the anti-detriment payment

When someone passes away, their super benefit must be paid to a dependant (such as a spouse or child) or their estate. When this payment is a lump sum, some dependants are able to apply for an additional payment which effectively refunds a significant portion of tax paid on earnings and contributions. This 'anti-detriment payment' is being removed for people who pass away after 1 July 2017, and for any death benefits paid after 1 July 2019.

With the changes coming on 1 July 2017, the window of opportunity to take advantage of existing limits is closing soon. Talk to us today to ensure you are making the most of your super.



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