Super Reforms

By Tracey Norris

It's been 10 years since we witnessed some sweeping changes to superannuation, with what was known as the simpler super reforms back in 2006. Over the preceding years the super laws have had their share of tinkering, however the Federal Budget changes of 2016 are certainly the biggest in quite some time.

The Treasury Laws Amendment (Fair and Sustainable Superannuation) Bill 2016, containing the super reforms announced in the 2016 Federal Budget, has been legislated.

The primary aim of the super reforms is to redistribute the available tax concessions within superannuation, so this means it will impact both accumulators and retirees.

A snapshot of the changes are as follows:

Up to 30 June 2017 (Now)	From 1 July 2017
CONCESSIONAL CONTRIBUTIONS	
Concessional Contribution Cap Less than age 49 $30,000 Over age 50 $35,000	Cap of $25,000 a year for everyone
Annual cap – use it or lose it	Catch up of contributions permitted from 1 July 2018 (rolling 5 year basis) for those with a balance <$500K
15% tax on concessional contributions Additional 15% tax for those earning over $300k	15% tax on concessional contributions Additional 15% tax for those earning over $250k
Low Income Super contribution – refund of contributions tax for those earning up to $37,000	Low Income Super tax offset – effectively a refund of contributions tax for those earning up to $37,000
NON-CONCESSIONAL CONTRIBUTIONS	
Contribution Cap of $180,000 per annum	Contribution cap of $100,000 per annum for those with balances under $1.6m
Bring forward rule allows maximum contribution of $540,000 for those under age 65	Bring forward rule allows maximum contribution of $300,000 for those under age 65 and a balance under $1.4m. Shading in and transitional rules apply
Maximum Tax Offset of $540 for spouse contributions (of $3000) if spouse earns less than $13,800	Maximum Tax Offset of $540 for spouse contributions (of $3000) if spouse earns less than $37,000. Shading in where spouse income is between $37,000 - $40,000, thereafter nil.
PENSION PHASE	
Unlimited pension accounts and balances	Maximum of $1.6m in pension phase at 1 July 2017 (called transfer balance cap)
Fund earnings tax free on all pension accounts	Fund earnings tax free on pension accounts to $1.6m Account balances beyond $1.6m to revert to accumulation and earnings taxed at 15%
Payments to individuals tax-free from age 60	Payments to individuals tax-free from age 60
TRANSITION TO RETIREMENT INCOME STREAMS (TRIS)	
Fund earnings tax-free	Fund earnings taxed at 15%
Pension payments to individuals tax-free from age 60	Pension payments to individuals tax-free from age 60
CAPITAL GAINS TAX CONCESSIONS	
N/A	Funds with pension members affected by transfer balance cap or TRIS changes may be eligible to reset cost bases of assets to market value at 30 June 2017.
SUPERANNUATION DEATH BENEFITS	
Fund can apply an anti-detriment claim to effectively refund contributions tax paid by the deceased	Anti-detriment payments to be abolished from 1 July 2017. Transitional rules apply for death benefits paid for a member that died pre 30 June 2017 with payment made prior to 30 June 2019.

The key planning opportunities are detailed below by category:

Accumulators (typically under 65 and/or aged 65-75 and still working)

- Maximise your concessional contributions in 2017 – either $30,000 or $35,000.
- You have until 30 June 2017 to use the current non-concessional caps and contribute $180,000 or up to $540,000 (if under age 65) into your super this financial year!

  The "Bring Forward" rule – allows you to bring forward up to three years of non-concessional contributions in one year (subject to certain conditions). This allows you take advantage of three years' worth of contributions in this financial year. If you can contribute more than $180,000 but not the full $540,000, you still trigger the bring forward rule, however any further contributions post July 1, 2017 are limited to the new $100,000 cap.

Large Super Balances and/or Retirees

- Those with Super balances over $1.6 million will be ineligible to make further non-concessional contributions. Should you be maximising your non-concessional contributions now? You have until 30 June 2017 to use the current caps and contribute to super.
- Would a reserving strategy or the use of contribution splitting be advantageous in managing or equalising member entitlements?
- Tax concessions are being removed on balances over $1.6 million from 1 July 2017. With super tax rates capped at 15%, it remains to be a tax effective investment vehicle. If you are not utilising your personal tax free marginal rate up to $18,200 and have a super balance greater than $1.6m, a planning opportunity exists.
- **Make sure you have unlisted investments valued at 30 June 2017 in the event Capital Gains Tax (CGT) concessions can be applied.**

Retirees Transitioning to Retirement

- Transition to Retirement Pension (TRIS) earnings will no longer be tax free. Retirees using a TRIS to supplement their income in retirement phase will still be able to access pension payments tax free if over the age of 60, however the earnings will no longer be tax free. **Make sure you have unlisted investments valued at 30 June 2017 in the event CGT concessions can be applied**
- In the 2017 year it remains possible to treat pensions as lump sums for personal tax purposes. Conditions apply.

Low Super Balances and Broken Employment

- From 1 July 2018 a concessional contributions catch-up regime for those with total super balances of less than $500,000 will apply. This will allow people to rollover their unused concessional cap for up to 5 years.
- Tax offset for low income earners will apply from 1 July 2017.
- If your spouse has an income of less than $10,800 (2017) or $37,000 (2018), you will be able to claim a tax offset of up to $540 if you contribute up to $3,000 into super on their behalf.

The operation of the Legislation after 30 June 2016 and then 30 June 2017 have many moving parts. This means individuals need to understand how the changes impact them and plan accordingly.

Please contact Tracey Norris or Sarah Siganto should you wish to discuss further.

Get in touch...

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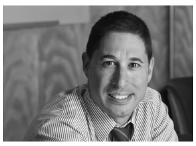

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