CENTRE IN FINANCIAL PLANNING

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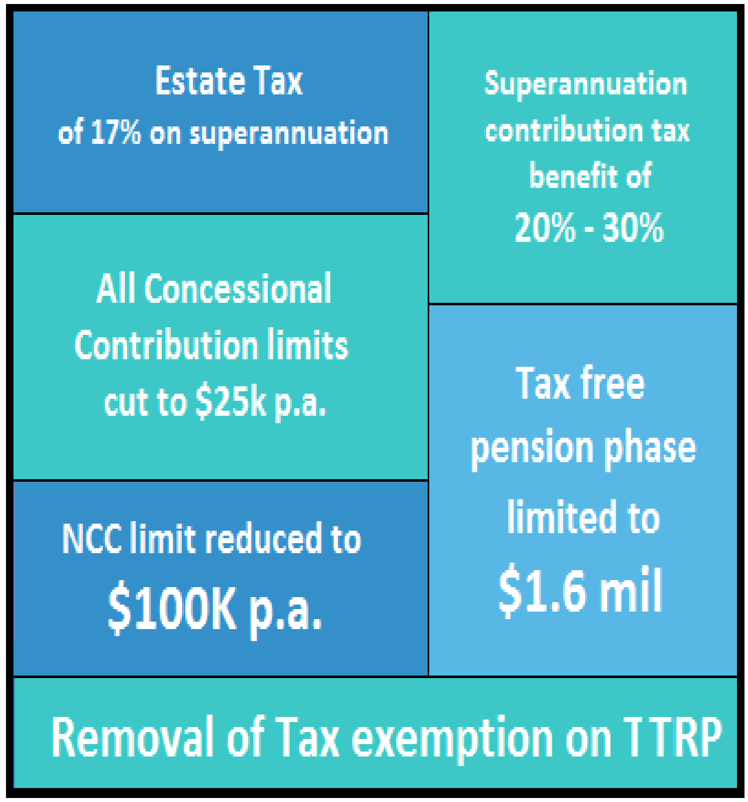
Superannuation Changes – July 1st, 2017

The 10 changes to the superannuation system, have passed through Parliament with seemingly little debate and no major surprises. It is important to understand how these changes on July 1st, 2017 may affect you and what steps you should be taking now before it is too late.

Are you ready for the Government's superannuation & estate tax changes on July 1st, 2017.

1. ESTATE TAX (ANTI-DETRIMENT PROVISIONS):



Superannuation and allocated pension **death benefits** paid to your spouse will continue to be **tax free.**
Superannuation and allocated pension **death benefits** paid to your estate or adult children **will be taxed at 17%** from July 1st, 2017 - (taxable component).
CIFP has a strategy to eliminate super/pension estate tax.

For example a $ 500,000 super/pension death payout to your estate or adult children may be taxed by **$ 85,000.**

The CIFP strategy will save $ 85,000 tax.

2. CONCESSIONAL CONTRIBUTIONS:

The maximum annual tax deductible superannuation contributions has reduced from $ 35,000 to $25,000.

All individuals under the age of 75 (work test) can make superannuation contributions during the year and claim a deduction to reduce personal income tax.
The $ 25,000 limit includes employer contributions, salary sacrifice and personal deductible contributions.

Superannuation is an attractive retirement savings strategy with annual tax benefits of 20% to 30%.

3. NON-CONCESSIONAL CONTRIBUTIONS (TAX FREE):

The non-concessional contribution (NCC) annual limit has been reduced from $ 180,000 to $ 100,000.

The opportunity for people aged under 65 to "bring forward" two additional years' worth of NCC cap is still available. This amount has been reduced from $ 540,000 to $ 300,000.
If you have more than $ 1.6 million in superannuation no further NCC to superannuation is available.

4. INCREASED ACCESS TO CONCESSIONAL CONTRIBTIONS (TAX DEDUCTIBLE):

All individuals under the age of 75 will be able to claim tax deductions for personal superannuation contributions from 1 July 2017. This removes the current restriction on employees making concessional contributions for which they can claim a personal tax deduction allowing everyone to have the same opportunities to contribute.

The new rules are now more flexible to reduce tax from other income - interest/dividends/rental income.

5. TRANSITION TO RETIREMENT PENSION CHANGES (TTRP):

The tax exemption on earnings supporting a Transition to Retirement Pension (TTRP) will be removed from July 1st, 2017. Currently these earnings are tax-free but they will be taxed at the standard rate of 15% pa. While these arrangements can remain in place, they lose their tax effectiveness. If you are under age 65 and not yet retired you may consider the transfer back to superannuation. This will depend on your circumstances.

6. SUPERANNUATION TRANSFER LIMITS TO PENSION:

A superannuation transfer balance cap introduced which limits the total superannuation an individual can transfer into the tax free pension phase at $1.6 million. This will apply from 1 July 2017 and will include current retirees as well as those yet to enter pension phase. Amounts in excess of $1.6 million will have to be transferred from the pension phase back to accumulate (superannuation) and subject to 15% tax on earnings.

7. LOWER INCOME LIMIT FOR EXTRA CONTRIBUTIONS TAX (HIGH INCOME EARNERS):

Individuals with total income and superannuation contributions of more than $250,000 will pay 30% tax on their concessional contributions. This lowers the current level of income applicable for this tax rate from $300,000.

8. LOW INCOME SUPERANNUATION TAX OFFSET:

This will replace the Low Income Superannuation Contribution which is set to finish on 30 June 2017. This will allow individuals with an adjusted taxable income of $37,000 or less to receive an effective refund of the tax paid on their concessional contributions up to a cap of $500.

9. CATCH – UP OF CONCESSIONAL CONTRIBUTIONS:

Unused concessional contribution caps can be carried forward on a rolling basis for up to five years for those with account balances of $500,000 or less. This will allow people with changing circumstances or interrupted work patterns to boost their superannuation through catch-up contributions.
The effective date for this change has been delayed to 1 July 2018.

10. SPOUSE CONTRIBUTIONS TO SUPERANNAUTION:

The income threshold for spouse contribution offset will increase from $ 10,800 pa to $ 37,000 pa.
This will now allow more individuals who make spouse contributions to superannuation of up to $ 3,000 pa to receive a tax offset (refund) of $ 540. This is an immediate return of 18%.

CO-CONTRIBUTION TO SUPERANNAUTION TO CONTINUE: (50% RETURN ON INVESTMENT)

For assessable income up to $ 33,516 pa, the ATO will contribute up to $ 500 into superannuation when you make a non concessional contribution of up to $ 1,000. **This represents a 50% return on your capital.**
You can still receive a partial co-contribution from the ATO for assessable income up to $ 48,516 pa.

It is important to seek advice to assess your situation prior to 30 June 2017 to prepare for the changes.

CIFP can assist you to understand how these changes impact your retirement plans.

Please call us (03) 9813 5822 to speak or make an appointment to see either Bill, Vicki, Robert or Nicole and discuss the options available prior to the superannuation rule changes coming on July 1st, 2017.