SUPERANNUATION CHANGES ON 1ST JULY 2017

SUMMARY

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Reduction in contribution limits

A reduction in the annual Non-Concessional Cap (NCC) and Concessional Cap (CC) greatly reduces the amount of money you are able to contribute to your superannuation.

- **Cut in annual concessional (before-tax) contributions cap to $25,000**

Concessional (before tax) contributions form part of your super fund's assessable income. The contributions include employer contributions and personal tax deductible contributions, and are taxed at a rate of 15%.

From 1 July 2017, the concessional contributions cap will be lowered to $25,000 for all people who are eligible to make contributions.

- **Cut in annual non-concessional (after-tax) contributions cap to $100,000**

Non-concessional contributions (after tax) do not form part of your superannuation fund's assessable income.

Currently an individual under the age of 65 can make up to $180,000 of non-concessional contributions per annum or $540,000 in non-concessional contributions over a 3-year period. It will be replaced by an annual $100,000 non-concessional cap from 1 July 2017. The new rules allow up to $300,000 in non-concessional contributions over a three-year period.

Additionally, if your superannuation balance is $1.6 million or above at 30 June, you will have a nil non-concessional cap for the following year.

Removal of tax exemption for transition-to-retirement pension

A transition to retirement pension (TTR) is a strategy often used by pre-retirees to help reduce their personal income tax and maximize their superannuation contributions.

Taking effect from 1 July 2017, the parliament has removed the tax-exempt status of super fund earnings supporting a transition-to-retirement pension (TTR). Whilst this reduces the strategy's effectiveness, it may still be a useful tax planning strategy.

Introduction of a $1.6 million transfer balance cap

A $1.6 million superannuation transfer balance cap on the total amount of superannuation that an individual can transfer into pension phase accounts will be effective from 1 July 2017.

The cap is applicable per person, if you have more than one pension phase account or defined benefit income stream the cap will apply to the combined amount of those accounts.

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People with existing pension phase accounts which exceed the transfer balance cap will have to remove the excess from one or more pension phase income streams.

There remains no limit to the amount of money you can have in your accumulation superannuation account(s).

Expansion of tax-deductible super contributions to all Australians

From 1 July 2017, all individuals under the age of 75 (who satisfy the works test if over 65) will be permitted to claim tax deductions for personal super contributions.

Change to Division 293 income threshold

Currently individuals with income and concessional superannuation contributions which exceed $300,000 for an income year are subject to an additional 15% tax imposed on the lesser of total concessional contributions or the excess above $300,000.

From 1 July 2017, the division 293 thresholds will be reduced to $250,000.