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SUPER CHANGES

Snapshot of recent changes

INFORMATION SHEET

AS AT 1 FEBRUARY 2017

The Government announced some significant changes to the super system in May 2016. Since then, some variations have been made to the original proposals and they received assent on 29 November 2016 with the majority of new rules to be implemented from 1 July 2017.

A summary of the new rules is provided as follows:

$1.6m limit on the transfer balance to a super pension

The Government has placed a cap of $1.6m on the total amount of super savings that can be transferred from a concessionally-taxed 'accumulation account' to a tax-free 'retirement account'.

This key change will not have a grandfathering provision, meaning that all *Income account* balances will need to be less than $1.6m at 1 July 2017. The Government has announced that members with balances higher than $1.6m will need to either:

- transfer the excess balance back into an accumulation account, or
- withdraw the excess amount (if eligible).

Further details in regard to this change:

- If you breach the cap, you will not only be required to remove the excess balance from the retirement phase but will also be liable to pay tax on the notional earnings attributable to that excess balance whilst in breach.
- The cap will be indexed in line with CPI in $100,000 increments.
- A proportionate method which measures the percentage of the cap previously utilised will determine how much 'cap space' you have available at any single point in time.

  From 1 July 2017, variations in your account balance due to earnings growth or pension payments will not be considered for 'cap space' purposes. This means that if your pension increases to more than $1.6m due to growth in earnings, you will not be penalised or forced to withdraw the excess amount. You can also apply to the Commissioner of Taxation to replenish your transfer balance 'cap space' in the event of an anomalous situation that causes your retirement balance to be depleted, such as fraud, bankruptcy or family law splits.

Reducing the annual concessional contributions cap to $25,000 for all

The annual concessional (before-tax) contribution cap will be reduced to $25,000 per annum regardless of your age from 1 July 2017.

Catch-up concessional contributions have been delayed until 1 July 2018. This change means that if you have an account balance of less than $500,000, from July 2018 you can carry forward unused cap amounts on a rolling basis for up to five years. Therefore, you will not be able to begin using unused cap amounts until the 2019/2020 financial year.

Change to Division 293 tax threshold – 30% tax for individuals who have an adjusted taxable income (ATI) in excess of $250,000

From 1 July 2017, the income threshold above which you will be required to pay an extra 15% in tax (in addition to the 15% concessional contributions tax), will reduce from $300,000 to $250,000 per annum.

The additional tax is applied to that part of your income plus your concessional super contributions in excess of the cap.

Further information in regards to Division 293 tax can be viewed on the *Fees, costs and tax* fact sheet available at **www.ngssuper.com.au/PDS**

$100,000 annual non-concessional cap (if you have less than $1.6m in super)

The non-concessional (after-tax) cap will be reduced from $180,000 to $100,000 per annum from 1 July 2017. Where your super balance as at 30 June the previous year is greater than $1.6m, you will not be eligible to make after-tax contributions.

The 3-year bring forward rule will now be $300,000 for those aged under 65. If you are aged between 65 and 74, you will not be able to take advantage of the bring-forward rule and you will need to meet the work test[1] to make an after-tax contribution up to the annual cap amount.

A further constraint on the 3-year bring forward rule is that if your account balance is close to $1.6m, you will only be able to bring forward the annual cap amount for the number of years that would take your balance to $1.6m. See table below for further clarification.

Super balance	Contribution and bring forward amount available
Less than $1.3m	3 years (3 x $100,000=$300,000)
$1.3m – less than $1.4m	3 years (3 x $100,000=$300,000)
$1.4m – less than $1.5m	2 years (2 x $100,000=$200,000)
$1.5m – less than $1.6m	1 year (1 x $100,000=$100,000)
$1.6m or more	Nil

Transitional arrangements will be in place for you if you have triggered the bring-forward rule in 2015/16 or 2016/17 but have not fully used your bring-forward before 1 July 2017. The amount of bring-forward available will be reduced to reflect the reduced annual contribution caps.

Spouse contributions tax offset

From 1 July 2017, the eligibility rules for claiming this offset will be extended. You will still be able to claim a tax offset of 18% of the first $3,000 of contributions you make on behalf of your spouse (a maximum tax offset of $540), however, the income thresholds for the receiving spouse will be increased.

- The income thresholds will be increased from $10,800 to $37,000.
- The cut-out threshold will increase from $13,800 to $40,000.

You will be able to claim the maximum offset if you contribute $3,000 to your spouse's super account and your spouse earns $37,000 or less.

Every dollar of income the receiving spouse earns above $37,000 will reduce the maximum contribution you can claim by $1, cutting out at $40,000.

Tax deduction for individuals under age 75 for personal contributions

This amends the deductibility rules for personal contributions by removing the 10% rule. Currently, you are only able to claim a tax deduction on personal contributions where you earn less than 10% from salary or wages. From 1 July 2017, this will allow all individuals under 75 to make personal concessional super contributions up to the concessional cap.

If you are aged between 65 and 75, you will still need to meet the work test[1] to take advantage of this change.

Extension of LISC renamed as Low Income Super Tax Offset (LISTO)

From 1 July 2017, the current Low Income Superannuation Contribution (LISC) will be renamed Low Income Superannuation Tax Offset (LISTO). This will continue to refund the concessional contributions tax paid up to a maximum of $500, if you have an adjusted taxable income less than $37,000 per annum.

[1] To meet the 'work test' you must be gainfully employed for at least 40 hours in a period of not more than 30 consecutive days during the same financial year in which the contributions are made.

Removal of anti-detriment provisions

Removes anti-detriment provisions that enabled super funds to refund "unused" contributions tax when paying death claims.

Extension of tax exemption on retirement products

From 1 July 2017, the tax exemption on earnings in the retirement phase will be extended to products such as deferred lifetime annuities and group self-annuitisation products.

The NGS *Income account* already receives this favorable tax exemption on earnings.

Removing the tax exemption on the earnings of Transition to Retirement (TTR) Income accounts

Transition to retirement income streams were introduced to allow individuals who had reached their preservation age (currently 56 and will increase to age 57 from 1 July 2017) the option to reduce their working hours by providing them with access to some of their super savings. This provided tax-free earnings on their savings within the Income stream account.

From 1 July 2017, the tax exemption on TTR income accounts will be removed and earnings will be concessionally taxed at up to 15%, the same rate that applies to accumulation account balances.

Removal of the option to treat an Income stream pension payment as a lump sum withdrawal

You will no longer be able to treat certain super income stream payments as lump sums for tax purposes, which currently makes them tax-free up to the low rate cap (currently $195,000).

Further information

Further details in regards to these changes can be found here at **www.budget.gov.au**

NGS Financial Planning

Life is always changing and sometimes you need to make decisions and take action about your super. During those times we're here to help.

As an Industry SuperFund, we pay no commissions to financial advisers and we only charge a **fixed fee** based on the complexity of your personal plan.

To make an appointment, please complete the online form at **www.ngssuper.com.au/financialadvice** or call us on **1300 133 177** between 8.00am and 8.00pm (AEST or AEDT), Monday to Friday.

Important information

The information provided in this information sheet is general information only and does not stake into account your objectives, financial situation or needs. Before making a financial decision, please assess the appropriateness of the information to your individual circumstances and consider seeking professional advice.

NGS Financial Planning Pty Ltd, ABN 89 134 620 518, is a corporate authorised representative #394909 of Guideway Financial Services Pty Ltd, ABN 46 156 498 538, AFSL# 420367 and offers financial planning services on behalf of NGS Super ABN 73 549 180 515.

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