Superannuation Changes update

Presented by

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General advice warning

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Examples are illustrative only and are subject to the assumptions and qualifications disclosed.

Agenda

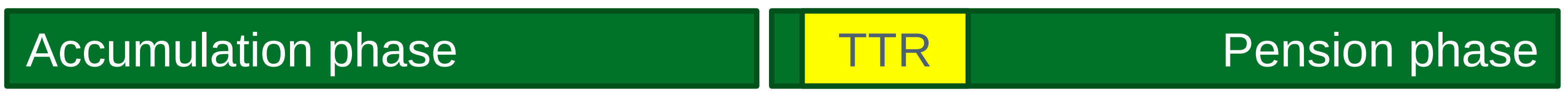
Changes to super contributions

Changes to super pensions

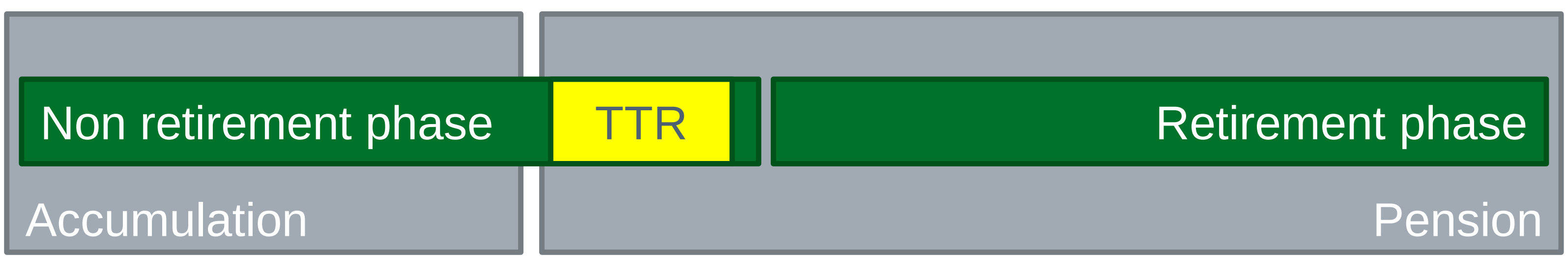
Budget changes

Super redefined

Was:



Is now:



Getting money in - contribution rules

New contribution caps

- Annual concessional contributions cap currently $30,000 / $35,000 if over 50
- Reducing to $25,000 from 1 July 2017

- Annual non-concessional contributions cap currently $180,000
- Reducing to $100,000 from 1 July 2017
- Additionally, if you have more than $1.6m in super, your cap is $0

- Bring-forwards still available, but limited when total super between $1.4m and $1.6m

- Small business CGT contributions /personal injury still exempt

Tax deductible contributions

- Everyone will be able to claim an income tax deduction for personal superannuation contributions from 1 July 2017
  - Currently restricted to self-employed / retirees
  - Work test still applies for persons over 65

- Helpful for people who:
  - Cannot salary sacrifice due to their employer
  - Get less super guarantee when they salary sacrifice
  - Have variable income

- **Don’t forget your Notice of Intent to Claim a Deduction!**

Getting money out – pension rules

Personal transfer balance cap

- Applies to pensions comprised solely of unpreserved money
  - 1 July 2017 for pre-existing pensions
  - Commencement date for new pensions
  - Date a transition to retirement (TTR) pension becomes a “normal” pension
- Debits and credits create a transfer balance account
  - Starting a retirement phase income stream is a credit
  - Full or partial commutation of a retirement phase income stream is a debit
- Persons transfer balance account
  - Sum of credits less sum of debits
  - Can be negative
  - Point in time rather than live

Personal transfer balance cap

- All tax-free pensions are captured!
  - ‘Market value’ of account-based pensions
  - Special rules for defined benefits, term allocated pensions and complying pensions
  - From 1 July 2017 transition to retirement pensions are taxed
    – Not captured under transfer balance

- Transfer balance measured against transfer balance cap
  - Starts at $1.6m on 1 July 2017
  - General cap indexed in $100,000 instalments
  - Individuals receive pro-rated indexation based on ‘high water mark’ account value

Personal transfer balance cap

- Joe started a pension $1m on 1 July 2017
- One year later (1 July 2018) commences a second pension for $200k
- By 2019 first pension has reduced in value to $800,000
- Joe commutes the first pension now worth $800,000
  - Either back to non retirement phase or as a lump sum benefit

Date	Transaction	Credit Value	Debit Value	Transfer Balance

Personal transfer balance cap

- How is super treated on death?
  - Super must be paid out as either:
    - Lump sums
    - Pensions
    - Combination of the above
  - Super paid as a death benefit pension counts towards the recipients transfer balance cap
  - If reversionary pension, value is calculated on date of death but credit delayed 12 months
  - If non-reversionary pension, value and credit both based on new pension commencement
  - Separate treatment for minor children
    - Effectively limited to the same level of pension their parent could have received

Transitional measures

- Slight breach of transfer balance cap on 1 July 2017
  - Breach is less than $100,000
  - Breach is solely attributable to pre-July income streams
  - Breach is rectified within six months

  No tax penalty

- Capital gains tax ‘relief’ has been legislated to ease the tax burden
  - Some people will lose tax concessions from 1 July 2017
    - Over $1.6m in pensions today
    - Transition to retirement pensioners
  - If assets sold today, may be less tax to pay compared to selling post 1 July

Transitional measures

- Relief is **not tax relief,** it is transaction relief
  - Ability to ‘deem’ the sale and re-purchase of an asset without having to physically sell
    - – Sale triggers capital gains / losses on asset at relevant time
    - – Re-purchase establishes new purchase price and date
  - Capital gains / losses realised generally treated the same as ordinary gains
- Relief is available for all super entities
- Specifics for relief different for different types of funds
  - Segregated funds
    - – Asset was a pension asset before 9 November 2016
    - – Still owned by fund by 30 June 2017
    - – Ceased being pension asset between those dates
  - Non-segregated funds
    - – Asset owned within same dates
    - – ECPI greater than zero (i.e. fund was paying at least part of a pension)

Budget 2017

Budget 2017

- $300,000 'downsizing contribution' from 1 July 2018
  - Must be over 65, owned home for 10+ years
  - Not subject to work test or age limits
  - Excluded from existing contribution caps
- First Home Saver Super Scheme
  - Voluntary contributions to super available to be withdrawn to pay for first home
  - Maximum of $15,000 pa / $30,000 total in scheme
  - Does not increase existing contribution caps
  - Withdrawal taxed at personal tax rates less 30% rebate

Proposals!

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