The clock is ticking

More changes to super contributions are just around the corner.

Speak to us today to find out how these changes might affect you before 30 June 2017.

Super changes 2017

From 1 July 2017, the government is changing a number of key superannuation rules.

These changes could affect the way you put money into, and take money out of, your super.

Here's a summary of some of the things that are changing:

1. Reduced non-concessional (after-tax) super contribution cap

From 1 July 2017, the amount of after-tax contributions you could make in a financial year will reduce from $180,000 to $100,000.

If you are aged under 65, you could be able to bring forward three years' worth of after-tax super contributions at the current rate. This means, if it is right for you, you could make an after-tax contribution of up to $540,000 before 1 July 2017.

After 1 July 2017, the maximum you will be able to contribute in a year (using the three year bring-forward rule) will be reduced to $300,000.

Also, if you have a total super balance above $1.6 million, you will no longer be able to make after-tax contributions from 1 July 2017.

For some people, the current financial year may be the last time they can make after-tax contributions to their super and/or larger after-tax contributions.

Everyone's different, so you'll need to consider your own circumstances before making any decisions. There are also some important things to consider before making any decisions, see other important information below.

2. Reduced concessional (before-tax) super contribution cap

From 1 July 2017, the amount you can contribute to your super before-tax will reduce to $25,000 in a financial year, no matter how old you are.

Currently, the amount of before-tax contributions a person can make in a financial year is $30,000 (for those aged under 49) or $35,000 (for those aged 49 and over).

3. Tax threshold change for high income earners

From 1 July 2017, the annual income level at which high income earners pay an extra 15% (in total 30%) tax on their super contributions will reduce from $300,000 to $250,000 each year.

4. Tax deductions for personal super contributions

After 1 July 2017, if you are employed and under 75 years of age, you could claim an income tax deduction for any personal (after-tax) super contributions you make in a financial year.

This could help if an employer doesn't offer the ability to salary sacrifice contributions to super. It could also assist people who are partially self-employed or earning partial wages or salary, which could be through part-time or casual work. In these cases, it may be worth seeking the advice of a tax professional.

Currently, if you are employed during a financial year, you can claim a tax deduction for personal (after-tax) super contributions you make if the employment income you receive is less than 10% of the income generated from all sources. This test is being abolished from 1 July 2017.

5. Spouse contributions

Currently, if you make contributions into your spouse's super account on their behalf you are entitled to a tax offset of up to $540 provided you meet certain conditions.

One of these conditions is that your spouse's total income (assessable income, reportable employer super contributions and reportable fringe benefits) must be less than $10,800 in the financial year.

From 1 July 2017, the lower income threshold will change from $10,800 to $37,000 (and cut out at $40,000). This means that more contributing spouses will be able to access the tax offset.

Important

Everyone's different, so you'll need to consider your own circumstances and think about whether or not these options are right for you. Before making any decisions, here are some other important things you should consider:

- When you put your money into super you can't access it until you retire and reach your preservation age or meet another condition of release.
- If you contribute money to super that exceeds the super cap limits, additional tax and penalties may apply.
- The value of your investment in super can go up and down. Before making extra contributions to your super, make sure you understand and are comfortable with any risks associated with your chosen investment option.
- Any additional contributions must be received by 30 June 2017. It's important to seek advice and give yourself enough time to understand the changes before 1 July 2017.

Changes affecting super withdrawals

1. Changes to the taxation of Transition to Retirement (TTR) income streams

People who have reached their preservation age[1] (currently age 56) can choose to receive a transition to retirement (TTR) income stream. This allows them to draw down from their super and receive an income of between 4% and 10%, even if they are still working.

Currently, there is no tax on income earned on investments from a TTR income stream. But from 1 July 2017, these earnings will be taxed at up to 15%, the same tax rate which applies to accumulation super funds.

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[1] Australian Tax Office, Preservation of super, www.ato.gov.au

2. A new super transfer balance cap

From 1 July 2017, the amount you can transfer from your super accumulation into a retirement income stream when you retire will be capped at $1.6 million. This cap will be indexed in $100,000 amounts, in line with increases in inflation. Any future earnings on your income stream balances will not form part of this cap.

If you have super in excess of $1.6 million, you will be able to keep this in a super accumulation account. However, your earnings will be taxed at the concessional rate of 15%. A tax will apply for any amounts that are transferred in excess of the $1.6 million cap.

A person with a retirement income stream with a balance above $1.6 million will need to reduce their retirement balance to $1.6 million by 1 July 2017. They can convert any amount over the cap to a super accumulation account or take it out of super altogether. If the excess over the $1.6 million cap is less than $100,000, then they can make any changes without tax penalty by 31 December 2017.

3. Changes to treatment of death benefits paid from superannuation funds

There are several changes applying to death benefits paid from super funds from 1 July 2017. Here are two key changes:

- The new $1.6 million pension cap will mean that a surviving spouse may not be able to receive the full death benefit as a pension and the excess amount will need to be withdrawn from super.
- Super funds will not be able to pay a refund of a member's lifetime superannuation contributions tax payments to the surviving spouse, child or the member's estate, where the member has died on or after 1 July 2017.

What could the changes mean for you?

The new super changes could provide an opportunity, if it is right for you, to give your super a boost before the end of the financial year.

The changes could also mean you may need to review your super to see if you need to alter your current arrangements.

Want to know more?

If you would like to know more, please contact us to make an appointment.