SUPERANNUATION CHANGES FROM 1ST JULY 2017

The major changes that will affect those people with superannuation at the 1st July 2017 are as follows:

Introducing a transfer balance cap of $1.6 million for pension accounts
From 1 July 2017 the Government will introduce a $1.6million cap on the total amount that each person can transfer into the tax-free retirement/pension phase for superannuation pensions to be paid from.

Example: you have a super balance of $2,000,000.
You move into pension phase in your super fund (retired & making no more contributions and are drawing down on your super assets).
Income earned on the first 1.6 million of your assets will attract no income tax in the fund.
Income earned on the assets above 1.6 million will attract tax in the funds mane at 15%.

Withdrawals from your super fund in pension phase will still be tax free as long as you are over sixty years of age.

Lowering of non-concessional contributions cap to $100,000 per annum
From 1 July 2017, the Government will reduce the annual non-concessional (non-tax deductable) contribution cap from $180,000 to $100,000 per year per person.

The 3 year bring forward rule will still be applicable, with the total bring forward amount of $300,000 (being 3 years x $100,000).

An **opportunity exists** prior to the 30/6/2017 to contribute more funds to your super fund. The existing three year rule applies which means you may be able to contribute $540,000 to superannuation (being $180,000 x 3 yrs) before the 30/6/2017.

Lowering concessional contributions cap to $25,000 per annum
Currently individuals can make concessional (tax deductible) contributions of up to $30,000 ($35,000 for those 50 years and over) within a financial year.
From 1 July 2017 the Government will lower the annual concessional contributions (tax deductable) cap to $25,000 for all individuals. The cap will index in line with wages growth each financial year from 2018 onwards.

Transition to retirement (TTR) income stream
From 1 July 2017 your superannuation fund will be taxed at 15% on all earnings of your fund, even when in TTR phase. Previously there was no tax on these earnings.
The 15% rate may still be far lower that you individual income tax rates.

Summary
Who is affected?

1.6 million cap
People with super fund balances (this could be more than one fund) are **above 1.6 million** and are in **pension/retirement phase** then your fund will be paying income tax on the earnings from assets above 1.6 million at 15%.

Lower non concessional contributions (non tax deductable) cap
People who want to increase their super fund balance significantly prior to retirement from the sale of assets like a business, property & shares.

Lower concessional (tax deductable) contributions cap
Every person who makes contributions to super or has contributions made for them could be affected.

Taxing of Transition to Retirement income
Everyone who is in TTR phase will be affected in that the income earned by the fund will be taxed at 15% whereas currently it is not taxed.

The next step
Adams Accounting will be reviewing all our SMSF client's situations and how these changes may affect the funds and your personal income tax position.
We will then contact you to discuss options or simply to advise you that there is no effect on your position.

OTHER SUPERANNUATION CHANGES FROM 1ST JULY 2017

Spouse tax offset
Currently, you can claim a tax offset of up to $540 for contributions (up to $3,000 per annum) you make to your spouse's superannuation fund where your spouse's adjusted taxable income is below $13,800.

From 1 July 2017, the income threshold for your spouse's adjusted taxable income will be increased To $37,000.

Personal superannuation contribution deductions
Currently a self-employed individual can claim a deduction for a personal superannuation contribution where less than 10% of their gross income is from salary and wages.

From 1 July 2017, this 10% condition will be removed which means that any individual who makes a personal contribution to their superannuation fund may be eligible to claim a tax deduction be they self employed or employed.

Reduction in amount of income where extra tax paid on deductable superannuation contributions from $300,000 to $250,00

Currently, individuals with adjusted taxable income and concessional (employer) superannuation contributions in excess of $300,000 trigger extra income tax to be paid at 15% on any amount over $300,000.

From 1 July 2017 the Government will lower the Division 293 income threshold to $250,000.