UPDATE TO PROPOSED 2016 BUDGET SUPERANNUATION CHANGES

The Government announced yesterday a revised suite of Superannuation changes, which they hope will be successfully negotiated through both Houses of Parliament and finally make it into legislation. These proposed changes were first contained in the May 2016 Federal Budget documents, but have been the subject of much debate both within the media and the political parties themselves. The Treasurer was confident yesterday that this proposal will have sufficient support from both his own party and the opposition to be passed into law.

The big change to the previous announcement is the scrapping of the proposed $500,000 Non-Concessional (after-tax) Contribution Lifetime Cap effective from 1 July 2007 - to be replaced by reducing the existing Non-Concessional Cap from $180,000 to $100,000 per year. Individuals under 65 will still be able to utilize the ‘bring forward’ provision (making up to $300,000 in any 3 year period), however no further non-concessional contributions can be made by a member once their superannuation balance reaches $1.6M.

The trade-off for this “concession” is the proposed scrapping of the work test requirement for members aged between 65 to 74 has been abolished - so the existing rule which require a member aged been 65-74 to be gainfully employed annually for a period of 40 hours in a 30 days period before contributions are made (excluding the 9.5% SGC) will remain.

As it stands today, we remind you of the balance of Superannuation changes announced in the May 2016 Federal Budget which should also proceed (subject to Parliamentary agreement):

- Decrease in the Concessional Contributions Cap (deductible) to $25,000 starting 1 July 2017 - reduced from the current $35,000 limit if under 49 years, or $30,000 for others

- From 1 July 2017, the total amount of assets a taxpayer can move into (tax-free) pension phase is limited to $1.6M (indexed)

- Existing total pension balances in excess of $1.6M as at 1 July 2017 will need to be rolled back to accumulation phase or paid out of the Fund

- Individuals with adjusted taxable income of more than $250,000 will be taxed an additional 15% on superannuation contributions from 1 July 2017 - a reduction from the current $300,000 threshold (Div. 293 tax)

- Removal of the “10% employment” test - allows all individuals under 75 to claim personal super contributions, regardless of employment arrangements

- Transition to Retirement Income Streams (TRIS) will no longer receive tax exempt status on earnings from 1 July 2017

- More contribution flexibility for members with balances less than $500,000, allowing members to rollover unused concessional contribution caps for up to 5 years, thus enabling catch up payments to made in later years if they haven't been working etc. - although the start date has been delayed until 1 July 2018.

Unfortunately, the uncertainty surrounding our retirement savings system will remain for some time, until all of these measures work their way through the Parliament. Once the rules have been set, we will once again assess the impact on each client and respond with the appropriate advice, in a timely manner.

If you have any immediate queries or concerns, please Leanne Connor Phone: 03 9654 1811 or Email: lc@wgcba.com.au to discuss.

ACCOUNTANT'S LICENSING

From 1 July 2017, Leanne Connor & Tony Grosso became authorised representatives of AFSL holder Magnitude Pty Ltd, in conjunction with Zest Wealth Advisers, so we can continue to give strategic advice in relation to superannuation and SMSF and in adherence to legal requirements applying to all Accountants giving advice in this space.

Documentation will be sent shortly to the majority of the client base affected by these new rules. From our perspective, our advice service will remain the same, although we are now required to adhere to the more complex financial planning regime in relation to the manner in which this advice is delivered.