

macmillan cowan & co

chartered accountants

MACBITES

2016 FEDERAL BUDGET

Superannuation:

Concessional (ie. tax deductible) contributions:

- Up to 30 June, 2017, the contributions cap will remain at \$30,000 for those under 50 years old & \$35,000 for those 50 years or older.
- From 1 July, 2017, the contributions cap will be \$25,000 for everyone.
- Up to 30 June, 2017, contributions are taxed at 15% where a person's income is under \$300,000 and at 30% where a person's income exceeds \$300,000.
- From 1 July, 2017, the threshold will be reduced from \$300,000 to \$250,000.
- The definition of "income" for this purpose is the sum of taxable income, reportable fringe benefits, total net investment losses & concessional contributions in relation to each individual.
- Individuals with superannuation balances of less than \$500,000 will be permitted to use some of their unused concessional contributions limits from prior years.

Non concessional (ie. non tax deductible) contributions:

- Up to 7.30pm on 3 May, 2016, the non concessional contributions caps were \$180,000 each year or \$540,000 every three years if under 65 years or \$180,000 if 65 years or over.
- From 7.30pm on 3 May, 2016 these caps have been replaced with a lifetime limit of \$500,000.
- Contributions from 1 July, 2007 will be counted towards this limit.
- If you have exceeded the limit at 7.30pm on 3 May, 2016, you will not be required to withdraw the excess & no penalties will apply.

\$1.6m cap on pension tax concessions:

- Up to 30 June, 2017, the tax rate applied to earnings within superannuation funds is 15% prior to commencing a pension (ie. accumulation phase) & 0% after commencing a pension (ie. pension phase).
- From 1 July, 2017, the maximum superannuation balance that you are entitled to have in pension phase will be \$1.6m. It appears that the \$1.6m cap is to apply to the starting balance (ie. the balance at 1 July, 2017 if already in pension phase or, if commencing a pension after this date, the commencement date). If you are in pension phase at 1 July, 2017 and your balance exceeds \$1.6m, the excess can be retained within your superannuation fund. It is expected that the excess will need to be converted back into accumulation phase with the earnings on this component being taxed at 15% each year.
- It appears that if the balance falls below \$1.6m after commencing a pension, you will not be permitted to restore the balance back to \$1.6m.

Directors

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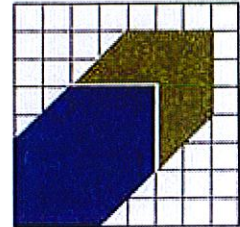
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Transition to retirement pensions:

- A transition to retirement pension is where a pension has been commenced and the member has not retired & is under age 65 years.
- From 1 July, 2017, where a member is withdrawing a transition to retirement pension, the earnings generated within the superannuation fund will be taxed at 15% instead of the current 0% tax rate.

Personal superannuation contributions:

- Up to 1 July, 2017, if the wages income earned by a person exceeds 10% of that person's total assessable income, a tax deduction could not be claimed for personal contributions.
- From 1 July, 2017, personal contributions will be tax deductible in these circumstances up to the \$25,000 cap (employer contributions also count towards the cap).

Work test for contributions – over 65 years:

- Up to 1 July, 2017, contributions cannot be made into a superannuation fund if a person has reached age 65 years & does not satisfy the work test (ie. work for at least 40 hours during any 30 day period during the year).
- From 1 July, 2017, people between ages 65 & 74 years will be permitted to make contributions without satisfying the work test.

Low income spouse superannuation tax offset:

- From 1 July, 2017, access to the low income spouse superannuation tax offset will be broadened by raising the eligibility threshold of the spouse's income from \$10,800 to \$37,000. The offset provides up to \$540 for the contributing spouse. The offset will be phased out for spouse income between \$37,000 & \$40,000.

If you have any queries please do not hesitate to contact us.

6 May, 2016