Your guide to

Superannuation changes from 1st July 2017

On July 1st 2017, the Federal Government made some big changes to superannuation - some of which may affect you. We've summarised some of the changes and what they mean so that you don't have to.

More people will benefit from making spouse contributions

Currently, an individual making a contribution into their spouse's super account may be entitled to a maximum tax offset of $540 if the spouse earns a low enough income. The lower income threshold for the receiving spouse has been raised from $10,800 to $37,000.

Ability to claim a tax deduction on super contributions is extended

Previously, mostly only those who were self-employed could claim a personal tax deduction for making contributions to super. This is now extended to employees as well. There is a $25,000 cap limit and your employer contributions count towards this cap. However if your super balance is below $500,000, you can carry forward any unused cap for five years. While you can claim a tax deduction, these concessional contributions are taxed at 15% on entry into your super fund.

The new $1.6 million number on super pension balances

When you convert your super into a pension to derive an income in retirement and achieve tax free status, you'll be restricted to transferring a maximum of $1.6 million. Any additional super stays in 'accumulation' mode and continues to be taxed at 15%. Should the pension balance grow above 1.6 million once set up from investment earnings, it remains tax free.

Also, if you do transfer $1.6 million into your pension, even if your balance reduces over time, you won't be able to top up your pension a second time.

Lower non-concessional contributions caps

You can now only contribute, after tax, $100,000 p.a. into your super or $300,000 within any three year period. This limit used to be placed at $180,000 p.a. Also now once your super reaches a balance of $1.6 million, you will not be able to make any more after tax contributions. Non-concessional contributions do not incur any tax on entry into your super.

Low-income super tax offset

A low-income super tax offset (LISTO) to help low-income earners save for retirement has been introduced. If you earn income up to $37,000, you may be eligible to receive a refund into your superannuation account on the tax paid on your concessional superannuation contributions (15% tax on entry in the fund) up to a cap of $500.

This means that most low-income earners will pay no tax on their super contributions.

So what do these changes all mean?

Previously, many of my clients could afford to wait until they were close to retirement before making large contributions to their super, taking advantage of the superannuation tax benefits in their final working years as they got close to retirement.

The changes have restricted the amounts you can put in, effectively forcing you to start contributing earlier if you want to maximise the amount of funds you have in super. Tax for super still provides many tax advantages for individuals.

Please note, these changes do not mean the superannuation system is now simplified. We recommend you seek professional financial advice to fully understand how these changes apply to your individual circumstances.

arcinvest offer an initial complimentary consultation on your current and future superannuation options to help put you at ease. Allan Hanson is a fully certified practitioner and principal of **arcinvest**.

Contact him today to book your consultation.

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