Will You Be Affected By The New Changes To Superannuation on the 1st of July 2017?

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The following information was written by the Australian Securities and Investment Commission (ASIC) on the 1st of July 2017 so make sure you ask your Financial Planner if there has been any changes when you meet.

Who will the 2017 super changes affect?

If you earn less than $40,000 or are self-employed you will benefit from more flexible super contribution rules. If you are a high-income earner or have a large super balance there are new contribution limits and a balance cap that will change how much you can add to your super.

Low income earners (people earning less than $40,000)

If you are a low-income earner, work part time or don't have constant income, it can be hard to save for retirement. Changes to super tax offsets and more flexible super contribution arrangements will make it easier to add more to your super.

Spouse super contributions

If your spouse earns less than $13,800 pay and you make a contribution to their super, you can claim a tax offset equal to 18% of the contributions, up to $540.

From 1 July 2017, your spouse's income threshold will increase to $37,000. Even if they earn up to $40,000, you could still be entitled to a partial super tax offset.

Other restrictions apply; however, this change will allow couples to get greater benefits from adding to each other's super.

Low income super tax offset (LISTO)

Eligible taxpayers that earn up to $37,000 a year get an additional super contribution from the Government, equal to 15% of before tax (employer and salary sacrifice) super contributions, up to $500. This is called the low income super contribution (LISC).

This is being replaced by the low-income superannuation tax offset (LISTO) but the rules will largely be the same.

Carry your super cap forward

A new 'carry forward' rule for before tax (concessional) contributions is being introduced that can help you catch up on before tax contributions later.

If you've had time out of the workforce, work part-time or have irregular work patterns and have contributed less than your before tax (concessional) cap, you can rollover the unused portion of your concessional contribution cap for up to 5 years, allowing you to make additional contributions in future years.

High income earners (people earning more than $250,000)

Higher income earners could be affected by a reduction in both before and after tax contribution limits, see changes to personal super contributions below.

If your combined income and super contributions exceed $300,000 you may have to pay extra tax on the excess, this is known as Division 293 tax. From July, the threshold for Division 293 tax will be reduce to $250,000, meaning more higher income earners will have to pay extra tax.

People who want to make extra super contributions

Many of the 2017 super changes affect personal super contributions, including tax deductions for contributions, contribution caps and eligibility for the Government's co-contribution.

Tax deductions for personal super contributions

Self-employed people and those that earn less than 10% of their income from salary or wages, can claim a tax deduction for any contributions they make to super. The contributions are then treated as 'before tax (concessional) contributions'.

From 1 July 2017, the 10% rule will be removed, making it easier for more people to make use of their concessional contributions cap.

Before tax super contributions (concessional)

On 1 July 2017, the concessional contributions cap will reduce to $25,000 for everyone. This means the amount of contributions you can make that are concessionally taxed will reduce.

However, you will be able to 'carry-forward' any unused concessional contributions cap on a rolling 5-year basis. This means carried forward amounts will expire after 5 years.

After tax super contributions (non-concessional)

The after tax contributions cap is reducing from $180,000 to $100,000 per year. You will still be able to bring forward up to three times the cap to make larger one-off contributions, if you are under age 65 and have not reached the new transfer balance cap. The full benefit you bring forward may not apply if your total super balance is close to the balance transfer cap.

Government super co-contributions

Low income earners who make after tax contributions to super may be eligible for a Government co-contribution payment into their super. This is calculated at 50 cents for every dollar you contribute (up to $500).

In addition to the current co-contribution eligibility requirements, from 1 July 2017 you must also have a total superannuation balance at the end of the previous financial year of less than the transfer balance cap and not have exceeded your after tax contributions cap.

For example, if you have made personal after tax contributions and have satisfied the current co-contribution eligibility requirements, but have already reached your transfer balance cap, then from

1 July you will no longer be entitled to a Government co-contribution.

Retirees or those approaching retirement

The rules around retirement income streams are changing. Transition to retirement (TTR) pensions will become less tax effective and there will be a cap on how much you can transfer into a tax-free super pension. There are also new restrictions on the way death benefit payouts are calculated.

Transition to retirement (TTR) pensions

Under the current rules, earnings on transition-to-retirement (TTR) pensions are not taxed. From 1 July 2017, the earnings of a TTR pension will be taxed up to 15%, the same as they are in a super accumulation account.

For example, if you had a TTR pension of $200,000 and the investment earnings were $10,000 for the year, there is currently no tax on those earnings. From July the earnings will be taxed at up to 15%, or up to $1,500 in this example, depending on the type of underlying investments.

The earnings of ordinary retirement pensions will still be tax free.

Super transfer balance cap

If you are aged 60 or older, income payments from an account-based super pension are tax free. From 1 July 2017, there will be a limit on how much super you can transfer to a tax-free account-based pension. This is called the 'transfer balance cap' and it will initially be set at $1.6 million but will be indexed by CPI, rounded down to the nearest $100,000.

Only the unused portion of your cap will be indexed so once you have reached the transfer balance cap you won't be entitled to further indexation. You can have multiple transfers to pension accounts as long as the total amount transferred into an account-based pension is under the cap. Investment earnings will not affect your transfer balance cap.

TTR pensions will not count towards your transfer balance cap and there is no limit on how much you can have in your accumulation super account.

Account-based pensions started before 1 July 2017 will be counted towards the transfer balance cap on 1 July 2017. Pensions started after this date will count towards the cap when they commence.

If you exceed your transfer balance cap, you may have to remove the excess funds and pay tax on the earnings related to the excess.

Defined benefit pensions

Different tax rules will apply to defined benefit pensions as you usually can't transfer or remove excess amounts from these income streams. Speak to your defined benefit pension fund to see how the changes will affect you.

Super anti-detriment payment

An anti-detriment payment is a payment to the dependent beneficiaries of a deceased super fund member that represents a refund of super contributions tax. A dependent beneficiary of a deceased estate can request an anti-detriment payment be paid as part of a super death benefit payout.

From 1 July 2017, this payment will no longer be available as part of a super death benefit payment. Super funds can still make anti-detriment payments until 30 June 2019 for members who died before 1 July 2017.

The July 2017 super changes are designed to make the system fairer and sustainable but it's now more important than ever to start planning your retirement income early.

Who we are

We are a family of business owners, who have had both bad and good experiences with financial advisers. We have jointly over 25 years run multiple businesses which have including ones in the finance industry. We know what to look for and we can help you.

We have found that there have been a plethora of articles both good and bad about the industry. We have found people are not entirely sure what makes a good financial planner, are not sure what to look for and don't have the time or patience to investigate. We have taken the stress, worry and guess work out of working with a financial planner. You won't be disappointed.

Contact Us

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