SUPER CHANGES PRE AND POST 1 JULY 2017

1 July 2017 will bring the most significant changes to superannuation legislation in a decade. This Enterprise Plan Fact Sheet on the super changes will help you understand how the changes will affect you and how you can respond to these changes.

As always, if you have any questions or wish to know any additional information, call our member services team on **1800 816 575.**

ENTERPRISE PLAN

KEY CHANGES AND OPPORTUNITIES

Changes in concessional and non-concessional contribution caps

Concessional (pre-tax) contributions to your superannuation include:

- Employer contributions
- Any amount you salary sacrifice into superannuation
- Personal contributions you claim as a personal superannuation contributions deduction.

There are limits to what can be contributed as a concessional contribution to superannuation. The concessional contribution tax rate that your superannuation fund pays tax on is 15 per cent. The concessional (before-tax) contribution caps will decrease from 1 July 2017.

Concessional contribution caps	Current	From 1 July 2017
Less than 49[1] years old	$30,000	$25,000[2]
49 or order[1]	$35,000	

TIPS

- Consider taking the opportunity and where you can, make a concessional contribution up to the higher cap before 30 June 2017.
- From 1 July 2018, you may be able to carry forward, and use on a rolling basis for up to five years, any of your unused concessional contributions cap. The first year in which you can use the carry-forward for any unused amounts is 2019-20. To be eligible, your total super balance must be under $500,000 at the end of 30 June of the previous financial year.

Improved personal superannuation contribution deductions up to the concessional contribution cap

From 1 July 2017, tax deductions can be claimed by all members for their personal voluntary contributions to a complying superannuation fund up to the concessional contribution cap.

Currently, this is only available if you engage in activities that result in you being treated as an employee under the superannuation guarantee (SG), and your total assessable income and reportable fringe benefits are under ten per cent of your total assessable income in the financial year.

[1] As at the last day of the financial year 30 June 2017.
[2] The new cap will be indexed in line with average weekly ordinary time earnings (AWOTE).

What does this mean for me?

- Before 30 June, you had time to claim a deduction on superannuation contributions as long as you meet eligibility requirements.
- From 1 July 2017:
  - You will have a lower amount that can be contributed to tax advantaged concessional contributions.
  - When you make a personal after tax contribution (and meet other eligibilities), you will be able to claim a tax deduction. This contribution will then count towards the concessional contributions cap. You will effectively create a 'salary sacrifice contribution' for yourself.
  - Employees in government super schemes such as CSS and PSS, you will still be unable to claim a tax deduction for a personal super contribution to constitutionally protected super fund or untaxed defined benefit funds, such as old government schemes.

TIPS

- A combination of contributions might work for you:
  - A formal salary sacrifice arrangement organised with your employer
  - A catch up contribution up to your concessional cap at the end of the financial year.
- A deduction for a personal contribution cannot result in or add to a tax loss
- A claim for a personal tax deduction on a super contribution must be lodged with the super fund before the earlier of:
  - The lodgement of your personal tax return for the year the contributions were made
  - The end of the financial year after the contribution was made.
- A personal super contribution deduction cannot not be able to be claimed on salary amounts made by your employer on your behalf.
- A personal tax deduction on a super contribution will become invalid if you:
  - Are no longer a member of the super fund'
  - Have commenced to pay a retirement phase income (pension) with the funds
  - Have applied to split contributions with your spouse, and this has been actioned.
- It's wise to obtain financial advice, to ensure you maximise the advantages now available
- As well as getting a tax break, there are many advantages to making regular contributions to boost your retirement savings, contact the Fund or visit www.enterpriseplan.com.au to see the payment options available to you.

Salary sacrifice superannuation contributions

You can boost your superannuation by entering into a salary sacrifice arrangement with your employer, making your own contributions. This can be in addition to the employer SG contributions. The salary sacrificed component of your total salary package is not counted as assessable income for tax purposes, and is not subject to PAYG withholding tax, nor is it considered as a fringe benefit.

What does this mean for me?

- Salary sacrifice arrangements are generally in writing, and put in place before commencing arrangement, however you can renegotiate with your employer at any time.
- There are no limitations specified by legislation in terms of limits to the amount you can salary sacrifice other than concessional caps (which include employer super guarantee contributions).
- Not all employers offer salary sacrifice arrangements. Also, Fair Work Commission agreements and conditions may apply.
- You can stop your salary sacrifice arrangement and convert to making a personal contribution to your super fund and claim a personal tax deduction from 1 July 2017, however you cannot claim a personal tax deduction for your salary sacrifice contributions to super.
- Seeking financial planning advice can assist you to review your situation before entering into a salary sacrifice arrangement.

Non-concessional contributions

The non-concessional (after-tax) contribution caps will decrease from 1 July 2017[3].

Non-concessional contribution caps	Current	From 1 July 2017
Standard	$180,000	$100,000[4]
3 year bring-forward[5]	$540,000	$300,000[6]

[3] The new cap will be indexed in line with AWOTE.
[4] Only available if your total superannuation balance is less than $1.6m.
[5] Available if you are aged 65 or less.
[6] This maximum amount will decrease if your total superannuation balance is over $1.4m.

What is the bring-forward arrangement?

If you are under 65 years, you may make non-concessional contributions of up to three times the annual non-concessional contributions cap in a single year by bringing forward your non-concessional contributions cap for a two or three-year period. If eligible, you automatically gain access to future-year caps, and is known as the bring-forward arrangement.

For the 2017-18 financial year, to access the bring-forward arrangement:

- You must be under age 65 years of age for at least one day during the triggering year (the first year)
- Your total superannuation balance must be less than $1.5 million as at 30 June 2017
- The remaining cap amount for years two and three of a 'bring' forward' arrangement will be reduced to nil for a financial year if your total super balance is greater than or equal to the general transfer cap of $1.6 million as at the 30th June of the previous financial year.

How the bring-forward arrangement works

2017 – 18 BRING-FORWARD PERIOD

Total super balance at 30 June 2017	Max. non-concessional contributions cap for first year available	Bring-forward period
Less than $1.4m	$300,000	3 years
$1.4m to less than $1.5m	$200,000	2 years
$1.5m to less than $1.6m	$100,000	No bring-forward period, general concessional contribution cap applies
$1.6m	Nil	N/A

A transitional period applies

If you have triggered the bring-forward cap by contributing a non-concessional contribution in excess of $180,000 in either 2015-16 or 2016-17 but have not fully used your bring-forward amount before 1 July 2017, transitional arrangements will apply. This means that the maximum amount of bring-forward available to you will be reflected in the reduced annual contribution caps available to you.

FOR EXAMPLE:

The year the bring-forward period started	Maximum non-concessional bring-forward amount available in 2017-18
2015-16	$460,000 ($180,000 annual cap x 2 years, + $100,000 x 1 year
2016-17	$380,000 ($180,000 annual cap x 1 year, + $100,000 x 2 years
2017-18	$300,000 ($100,000 annual cap x 3 years)

What does this mean for me?

- You could contribute up to $540,000 until 30 June 2017 as an individual if you are under age 65 and have not previously triggered a bring-forward strategy in the previous two financial years.
- If you made a personal contribution of $540,000 in the 2016-17 financial yearyou will not be able to make any further contributions until 1 July 2019 without triggering excess non-concessional contributions.
- If you had not fully used your bring-forward amount before 1 July 2017, transitional arrangements will apply so the amount of available bring-forward will reduce. Refer to 'bring forward' arrangements and non-concessional contribution restrictions.
- To work out your non-concessional cap for the financial year, subtract any non-concessional contributions you have made during the bring-forward period from the maximum 'bring forward' amount show in the table above.
- Where the non-concessional contribution bring-forward was triggered in 2015-16, the transitional cap will be $460,000 (instead of $540,000). If the bring-forward was triggered in 2016-17, the transitional cap will be $380,000.

TIPS

- How the transitional arrangements work?
  - Where the non-concessional contribution bring-forward was triggered in 2015-16, the transitional cap will be $460,000 (instead of $540,000).
  - If the bring-forward was triggered in 2016-17, the transitional cap will be $380,000.
- Consider taking the opportunity and where you can, make a concessional contribution up to the higher cap before 30 June 2017.
- Obtaining financial planning advice will assist you to ensure you have not triggered your non-concessional cap, and incur excess contributions tax.

Introduction of a total superannuation balance from 1 July 2017

The 'total superannuation balance' has been introduced as part of a new test to determine an individual's non-concessional contributions cap and bring forward period. Your total is essentially the total value of your accumulation and retirement phase interests including rollover amounts across all of your superannuation providers calculated as at 30 June of each financial year commencing 30 June 2017. It excludes any contributions made with the proceeds of a personal injury compensation payment.

Your total super balance is relevant when working out your eligibility for the:

- Unused concessional contributions cap carry-forward
- Non-concessional contributions cap and the two or three year bring-forward period
- Government co-contribution
- Tax offset for spouse contributions.

Your total super balance cap will be indexed annually. Where your super balance is greater than the general transfer balance cap of $1,600,000, you may be in excess of the non-concessional contributions cap after 1 July 2017. Also refer to the total superannuation balance fact sheet which shows the calculation as well as case studies.

Non-concessional contribution restrictions

Members with a total super balance of $1,400,000 or more on 30 June 2017 will have restrictions on the amount that can be contributed to super. This includes:

- A reduced non-concessional contributions cap
- A shorter bring forward period
- The inability to make any contributions if your total super balance is over $1,600,000.

Total super balance on 30 June 2017	Max. non concessional contributions for 2017/18 (including bring-forward rule)	Bring-forward period
Less than $1,400,000	$300,000	3 years
$1,400,000 – $1,500,000	$200,000	2 years
$1,500,000 - $1,600,000	$100,000	N/A
$1,600,000 or more	$Nil	N/A

What does this mean for me?

- You will need to comply with two separate $1,6m limits on superannuation from 1 July 2017:
- Your total superannuation balance in order to determine your non concessional contributions cap
- Your transfer balance cap limit on the value of the interest that supports your retirement pension
- You may also have restrictions when making non-concessional contributions if your superannuation balance is in excess of $1.4 million.

EXAMPLES ON HOW THESE CONTRIBUTIONS TO SUPERANNUATION CHANGES MIGHT AFFECT YOU

Situation	Example
▪ Mary is aged 54 ▪ Total super balance $1.8m at 30 June 2017 ▪ Mary has not made after-tax contributions for four years	In 2017-18, Mary will not be able to make any more after-tax contributions as at 30 June, her total super balance exceeds the $1.6m limit. As Mary has not triggered her bring-forward in the last two years, she can make an after-tax contribution of up to $540,000 before 30 June bringing her total super balance up to $2.3m as at 1 July 2017. Mary will not be able to make any further after tax contributions until 1 July 2019.
▪ Joan is 53 years of age ▪ Joan triggers the bring-forward rule by making a contribution on 10 June 2017, by contributing $200,000 ▪ Total super balance of $1.45m at 30 June 2017	From 1 July 2017, the non-concessional contributions cap reduces from $180,000 to $100,000. Joan's three year bring-forward cap is reduced to $380,000 - ($180,000 for 2016-17 and $100,000 for 2017-18 and $100,000 for 2018-19. Joan's remaining bring-forward balance is $180,000. At 30 June 2017, Joan's total super balance is $1.45m.
▪ Joan contributes a non-concessional contribution of $100,000 on 10 September 2017 ▪ Super balance after contribution is now $1.6m	As the result of the $100,000 contribution, Joan's remaining bring-forward cap balance for 2018-19 has now reduced to $80,000. But, as her total super balance is now $1.6m, the non-concessional cap for 2018-19 will now be NIL, as Joan will be in excess of her non-concessional cap if the transfer balance cap for 2018-19 continues to be $1.6m.

Situation	Example
▪ John is 48 years of age ▪ Total super balance of $1m on 30 June 2017 ▪ Has not accessed the bring-forward rule	John made a non-concessional contribution of $150,000 on 26 May 2018, triggering the bring-forward rule (the annual cap is $100,000). Total amount of non-concessional contributions that can be made to super for the 2018-19 and 2019-20 financial year is $150,000 ($300,000 maximum bring-forward less $150,000 contribution made in 2017-18).
▪ Jim is 62 years of age ▪ Total super balance of $1,690,000 on 30 June 2017	Tom is over the general transfer balance cap, and his non-concessional contributions cap for 2017-18 is NIL. This will continue to be the case in any future financial years while the total super balance exceeds the general transfer balance cap as at the 30 June of each financial year.

Introduction of $1.6 million transfer balance cap

The transfer balance cap introduces a new limit on the amount of your accumulated super benefits that you can transfer or hold in retirement phase to support an income stream over the course of your lifetime. From 1 July 2017, the transfer balance cap will start at $1.6 million, and will be indexed in line with the consumer price index (CPI). However, the indexation will be based on the amount remaining of available cap space.

The transfer balance cap does not include transition to retirement (TRR) accounts, and there is no limit on the amount you can have in your accumulation super accounts.

The transfer balance cap works in a similar way to a bank account. Amounts transferred to the retirement phase give rise to a credit (an increase), and certain transfers out of the retirement phase give rise to a debit (a decrease) in your transfer balance account. So, you will be able to make multiple transfers into retirement phase accounts, as long as you have available cap space. After 1 July 2017, If your pension account(s) grow over time (through investment earnings to more than $1.6 million, you will not exceed your cap. However, if your pension accounts go down over time, you cannot 'top up', if you have already used your cap.

Amounts in excess of the transfer balance cap need to be moved from the pension prior to 1 July 2017, however, the government has allowed transitional arrangements to minimise uncertainty. Should the transfer balance cap still be exceeded, the excess will have to be removed from the retirement phase pensions, and tax be paid on notional earnings on the excess amount.

There are different tax rules for those who have certain defined benefit or Term allocated income pensions, where you cannot transfer or remove excess amounts from the pension. Further information and guidance can be found on ato.gov.au, and/or consult a financial adviser regarding your situation.

What counts towards your transfer balance cap?

- The combined value of all superannuation pension accounts held in retirement phase
- The value of other pensions or annuities must also be counted towards your cap, for example:
  - A superannuation pension you start to receive from a deceased spouse's superannuation account
  - A pension income you receive from a former spouse's superannuation pension as part of a family court settlement.

Transitional arrangements

If at 30 June 2017 the total account balance in your retirement accounts is between $1.6 million and $1.7 million, you will have six months to remove the excess capital without penalty.

What does this mean for me?

Before 30 June 2017

Super members needed to have checked superannuation fund balances in retirement phase. The following table provides a summary of what actions were/are needed.

Balance at 30 June 2017	What you need to do	Penalties
Under $1.6m	N/A	N/A
Between $1.6m and $1.7m	**Deadline: 31 Dec 2017** Reduce the value of your pension accounts and earnings to $1.6m using one or more of the 3 options below.	No penalties if the excess capital is removed before 31 Dec 2017.
Over $1.7**m**	**Deadline: 30 Jun 17** Reduce the value of your pension accounts and earnings to $1.6m using one or more of the 3 options below.	▪ Excess capital and excess transfer balance earnings will be removed from your pension account. ▪ Excess transfer balance tax of 15% will apply in the 2017-18 financial year to the excess transfer balance earnings.

After 1 July 2017

- If you retire and commence a new income stream from your superannuation, your transfer balance account begins on the day you transfer superannuation assets into the pension to start the pension. You should not transfer more than the $1.6 million cap.
- Where you already have a pension and are receiving an income stream, you will need to keep track of your transfer balance account to ensure you do not exceed the transfer balance cap.
- Where you are under the cap, you may be able to transfer more in by for example, commencing a new pension.

TIPS

- The devil is in the detail. Options to reduce the value of your pension accounts to $1.6m include:
  - Commute the excess amount including any notional earnings and transfer it back to your accumulation account
  - Withdraw the excess amount including any notional earnings as a lump sum
  - Make additional pension payments to reduce your pension balance to below $1.6m.
- Although there is a limit on the amount of assets you can transfer into a tax free retirement phase (pension) account, this does not affect the amount you can have in the accumulation of taxable income phase of a super fund. Any amount can be held in super accumulation (taxable) phase, and/or be taken as lump sum payments.

EXAMPLES ON HOW THIS CHANGE TO THE AMOUNT YOU CAN HAVE IN PENSIONS MIGHT AFFECT YOU

Situation	Example
▪ Jack is 60 years of age, and about to retire ▪ Total super balance is $1.5m	Jack is under the transfer balance cap. Has $100,000 available transfer balance cap space after the commencement of a $1.5m pension even if the pension grew due to investment earnings.
▪ Jill is 65 years of age, retired with $2m in a pension	Before 1 July 2016, Jill transfers $410,000 into accumulation to ensure she is under the transfer balance cap. Her super fund has been able to exercise CGT relief for the transfer of the assets.
▪ Mary is 62 years old, and about to retire, with a total super balance of $2m	Mary retires on 1 November 2017, and will commence an account based pension. Mary transfers $1.6m into a pension and keeps the remaining $400,000 in super accumulation. Mary is also considering withdrawing the remaining $400,000 from super as a lump sum. In June 2018, Mary requests a payment of $400,000 from her pension account as a lump sum, and keeps the $400,000 in super accumulation Mary cannot contribute the $400,000 to another pension in the future as she has already reached her transfer balance cap. Her balance can however fluctuate due to earnings growth or draw-down of pension payments.

Summary of the impact of the total super balance and transfer balance caps

- Your total super balance and your transfer balance cap are calculated differently, therefore your limits on each may be different.
- You may not be able to use all of your bring-forward non-concessional cap available, if from 1 July 2016, your total super balance amount is $1.6 million or over.
- Consider obtaining financial advice to assess your closeness to the total super balance and transfer balance cap, and to assist you to determine your ability to make further non-concessional contributions.

Increase to spouse contribution tax offset threshold

A tax offset of up to $540 may be available if you make a non-concessional contribution for your spouse.

From 1 July 2017, your spouse's eligible income threshold will increase.

	Total income of your spouse	Tax offset available to you
Up to 30 June 2017	Up to $10,800	Up to $540
	Over $13,800	Nil
From 1 July 2017	Up to $37,000	Up to $540
	Over $40,000	Nil

What does this mean for me?

More members will be eligible to claim the tax offset.

TIPS

Consider contributing to your spouse's account to take advantage of this tax offset before the financial years.

Changes to government co-contribution rules and threshold

The government may provide a co-contribution for voluntary non-concessional (after-tax) contributions at a rate of up to $0.50 for each $1.00 you contribute.

	Current	From 1 July 2017
Lower income threshold	$36,021	$36,813
Higher income threshold	$51,021	$51,813

In addition, there are additional eligibility rules for co-contributions from 1 July 2017:

- Your total super balance must be less than $1.6 million
- You not have contributed more than your non-concessional contributions cap.

TIPS

If your income is below the higher threshold, consider making after-tax contributions to take advantage of the co-contributions provided. However, you may not be eligible if you have a large super balance, or you have utilised your non concessional cap or exercised the bring-forward option.

Name change - low income superannuation tax offset (LISTO) replaces low income superannuation contribution (LISC)

The current LISTO will be replaced by LISC. There are no changes to the eligibilities or the operation of the scheme. To be eligible, your adjusted taxable income must be less than $37,000. The amount payable will be the lesser of 15 per cent of eligible contributions and $500.

What does this mean for me?

If you are a low income earner and have contributions paid into your superannuation fund, you do not need to do anything, your LISC will be paid into your superannuation fund when you lodge a tax return.

Reduction of the income threshold for additional contribution tax (Division 293 Tax)

For many higher income earners, an additional 15 per cent tax applies to certain concessional (before-tax) contributions, if your assessable income exceeds the legislative threshold. This threshold will reduce from the current $300,000 to $250,000 from 1 July 2017. Your assessable income includes your total earnings, including pre-tax super contributions (employer and salary-sacrifice contributions and any personal deductible contributions).

What does this mean for me?

If your assessable income is above $250,000, from 1 July 2017 Division 293 tax will be applicable and an extra 15 per cent paid on certain concessional contributions.

FOR EXAMPLE:

Situation	Example
▪ Income is $260,000 ▪ Concessional contribution $5,000	The sum of Jill's income and concessional contributions for the income year is $265,000. Jill will be assessed for Division 293 tax on the lesser of the amount over $250,000 ($15,000) and her concessional contributions ($5,000). Jill will receive a Division 293 assessment for 15% on $5,000.
▪ Income is $240,00 ▪ Concessional contributions are $25,000	The sum of Jack's income and concessional contributions for the income year is $265,000. James will be assessed for Division 293 tax on the lesser of the amount over $250,000 ($15,000) and his concessional contributions ($25,000). Jack will receive a Division 293 assessment for 15% tax on $15,000. [1] All rates quoted do not include Medicare levy.

TIPS

Consider seeking financial advice on your future options.

Change to the taxation arrangements for transition to retirement income streams

Transition to retirement income streams (TRIS) are currently available to assist individuals to gradually move into retirement by accessing a limited amount of super. Currently, where a member has commenced a TRIS, the superannuation fund receives tax free earnings on the superannuation assets that support it.

From 1 July 2017, the government will remove the tax exempt status of earnings from assets that support a TRIS. These earnings will be taxed at 15 per cent, regardless of the date the TRIS commenced, the same as the members' super accumulation account.

Capital gains tax relief is available where assets need to be moved from a non-taxed to a taxed environment to meet this requirement. A TRIS will not be counted towards an individual's transfer balance cap for the retirement phase. (Also refer to the section 'introduction of $1.6 million transfer balance cap'.)

What does this mean for me?

Consider adjusting your pre-retirement superannuation strategies to suit your needs. You may wish to speak to a financial adviser to explore options available to you.

Innovative retirement income stream product restrictions lifted

From 1 July 2017, the government will remove rules and barriers restricting the development of new retirement income products. The barriers will be removed by extending tax exemption on earnings in the retirement phase to innovative products, such as deferred lifetime annuities, and income based annuities within retirement phase (pensions). The intent is to provide greater choice and flexibility for retirees to manage the risk of outliving their retirement savings.

Great news – the temporary budget repair levy ceases

The two per cent temporary budget repair levy introduced in 2014 will cease to apply from 1 July 2017.

What does this mean for me?

- If your taxable income is over $180,000 your marginal tax rate will decrease from 47 per cent to 45 per cent.
- If you do not quote your tax file number, the tax on your taxable component of the superannuation benefit will decrease from 47 per cent to 45 per cent
- The excess non-concessional tax will be lowered from 47 per cent to 45 per cent
- Tax rates for departing Australia superannuation payment (DASPs) will decrease
- Other tax implications please refer to ato.gov.au

Removal of death benefit anti-detriment payments

The anti-detriment payment represents the refund of the 15 per cent contribution tax paid by the deceased member on super contributions over their working lifetime, and may be paid to an eligible dependant with a lump sum death benefit payment. The Government will remove this provision from 1 July 2017.

What does this mean for me?

If a member is deceased before 30 June 2017, the anti-detriment can still be claimed before 30 June 2019. If a member is deceased after 1 July 2017, there will be no anti-detriment amount payable.

Increased tax for working holiday makers (WHM)

From 1 July 2017, DASPs made to WHMs will be taxed at 65 per cent. Currently this is taxed at 38 per cent for taxed element and 47 per cent for untaxed element.

What does this mean for me?

If you are a WHM and your DASP is paid after 1 July 2017, your benefit will be subject to a higher tax.

TIPS

Consider lodging your benefit payment request as soon as you can earlier if you plan to leave Australia before July 2017.

Preservation age and age pension age

Preservation age is the Government specified age at which you can gain access to your superannuation benefit once you are permanently retired from employment. From 1 July 2017, the preservation age will increase from 56 to 57 and affects members born between 1 July 1961 and 30 June 1962.

The qualifying age for the Government age pension will increase from 65 to 65.5 years from 1 July 2017.

What does this mean for me?

Unless you meet other Government specified conditions of release, you will need to be at least 57 years old to access your superannuation benefit. Unless you meet other qualifications, you will also have to wait until 65.5 years to receive the age pension providing you are eligible.

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