Super changes from 1 July 2017

May 2017

Key changes

- employees with super balances under $500,000 can make catch-up before-tax contributions from 1 July 2018
- annual after-tax contribution limit of $100,000
- a maximum total super balance limit of $1.6 million for people making after-tax super contributions
- A $25,000 cap on before-tax payments to super applies to everyone

Before-tax payments to super

From 1 July 2017, the most your employees can pay into super from their before-tax pay (including employer contributions) at the 15% tax rate will be $25,000 a year. If they're between 65 and 74, they will need to meet the work test.

Before 30 June 2017, they can add up to $35,000 to super from their pre-tax pay and only pay 15% tax if 50 or over. If they're under 50, they can add $30,000 this way.

If your employees have less than $500,000 in super, they can make catch-up payments if they haven't reached their $25,000 annual limit during a rolling five year period. This change will be delayed until 1 July 2018.

Changes for higher income earners

From 1 July 2017, a 30% tax rate will apply to before-tax payments for higher income earners. This applies when income plus before-tax payments (including employer contributions) reach $250,000 – previously this was $300,000.

After-tax payments to super

From 1 July 2017, the most your employees can add to their super from their after-tax pay every year will be $100,000 instead of the current $180,000. They can still add $180,000 for the financial year to 30 June 2017.

If your employees are under 65, they can bring forward three years' worth of after-tax contributions. This means they can contribute up to $300,000 over a three year period until their balance reaches $1.6 million.

Depending on an employee's level of after-tax contributions in the last three years, they may still be able to contribute up to $540,000 before 1 July 2017.

There are transitional arrangements for people who have triggered the bring-forward rule but haven't reached the full cap.

New $1.6 million super balance threshold

If your employees' total super balance is over $1.6 million they won't be able to make any further after-tax contributions to super from 1 July 2017. Money in retirement income accounts is also counted towards this threshold.

The work test

The Government has decided not to go ahead with its proposal to remove the work test for people between 65 and 74. This means employees between these ages who want to add to their super will need to work 40 hours over a 30 day period each financial year.

Support for low income earners

Employees who earn less than $37,000 a year currently receive a Low Income Super Contribution of up to $500 to offset the 15% tax they pay on their super contributions. From 1 July 2017, this will become the Low Income Super Tax Offset and will stay at a maximum of $500 a year.

Spouse contributions

From 1 July 2017, your employees could be eligible for a low income spouse offset if they make contributions to their spouse's super when they earn up to $40,000 a year and are under 70 years old. The offset is capped at $540 a year. The spouse receiving the contribution must meet the work test if they're between 65 and 69.

Personal payments to super

From 1 July 2017, anyone under 75 can claim a tax deduction for personal payments they make to super up to $25,000. If they're between 65 and 74 they'll need to meet the work test. The $25,000 limit also includes employer and salary sacrifice contributions. A 15% contributions tax will apply.

Transition to retirement

Your employees can still use a transition to retirement (TTR) to work less or save more, but some of the tax benefits are changing.

From 1 July 2017, investment earnings on assets in a TTR income account will be taxed at 15% until retirement.

TTRs are still useful for those employees who want to reduce the hours they work but maintain the same take-home pay. We encourage employees who are interested in a TTR to speak to a financial adviser before 1 July 2017 to find out if this strategy is worthwile for them.

You'll find more on TTR at **australiansuper.com/1JulyTTR**

$1.6 million cap on transfers to retirement accounts

A cap of $1.6 million applies to how much super your employees can transfer into retirement income accounts over their lifetime. The income and earnings on their account continues to be tax-free.

Employees with between $1.6 and $1.7 million in their income account at 30 June 2017 have until 31 December 2017 to get their balance under $1.6 million. Those with accounts over $1.7 million at 30 June 2017 will need to correct that prior to 30 June 2017 to avoid penalties.

You'll find more on the new cap at **australiansuper.com/campaigns/tcap**

Defined benefit schemes

The Government is planning to apply similar changes to defined benefit schemes, which may impact some members. The Government has prepared a fact sheet outlining its plans which you can access at **treasury.gov.au**

Keeping you and your employees in the loop

You'll find updated information on the 2017 Federal Budget and more on the 1 July 2017 at **australiansuper.com/FederalBudget**

You can find out more detailed information about these changes at **treasury.gov.au**

Have some questions?

Call 1300 300 273 (8am to 8pm AEST/AEDT weekdays)

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