# Further changes to Superannuation tax rules announced

KM Private Clients Tax Update September 2016



The Federal Government has today announced by Press Release, further modifications to the taxation arrangements dealing with superannuation.

The announcements made today are as follows.

#### Scrapping the \$500,000 lifetime non-concessional contribution cap

The Government has announced it is scrapping the contentious \$500,000 lifetime non-concessional contribution cap that was announced in the 2016/2017 Federal Budget. This will be replaced with an annual non-concessional contribution cap of \$100,000.

For those individuals under age 65, they will be able to bring forward three years of non-concessional contributions, meaning that, effective 1 July 2017, subject to eligibility criteria, you can contribute up to \$300,000 in non-concessional contributions once every three years.

#### Eligibility criteria

If you have \$1.6 million or more superannuation benefits at 30 June each year, you are not eligible to make a further non-concessional contribution.

#### Impact for current tax planning

The new rules only commence on 1 July 2017. Accordingly (based on the Press Release), the current non concessional contribution legislative rules will still be in place until 30 June 2017.

This means that those people who are eligible to either make a further non-concessional contribution of \$180,000 or bring forward \$540,000 can do so before 30 June 2017.

I suggest that you determine whether or not you are eligible to make further non-concessional contributions in the current financial year and decide if you have the assets from which to make those non-concessional contributions. Once the legislation comes out, we can then confirm the ability to make these further non-concessional contributions between now and 30 June 2017. However, let's start planning for it!

#### Scrapping of harmonisation of contribution rules for those aged 65 to 74

The Government has announced it will scrap the ability for those people aged between 65 and 74 to make contributions if you do not satisfy the work test.

Accordingly, if you are over 65 years of age, you have to be engaged in productive work (40 hours in a 30 day period) to qualify to make contributions to superannuation above the mandated superannuation guaranteed contributions required to be made on your behalf by an employer.

#### Next steps

The Government continues to make legislative announcements by Press Release. It is not until we see the final legislation that we can be certain of what the rules will be going forward. Accordingly, as previously suggested, prepare your financial information such that we can move quickly when legislation is enacted to ensure that your personal position is ready for the 1 July 2017 changes.

# About the author



Anthony Jackson | Managing Director, KM Private Clients

Melbourne | +61 3 8623 3372 | ajackson@kordamentha.com

Anthony's passion is managing the implementation of personal financial strategies for High Net Worth individuals particularly focussing on the issues associated with asset succession. He is a Specialist Self-Managed Superannuation Fund Advisor and Fellow of the Tax Institute of Australia. He has over 30 years' experience in the Industry.



# KordaMentha is a specialist advisory and investment firm with prominent forensic, real estate, investment, turnaround and restructuring groups.

Whether our clients are looking to expand, invest, detect inappropriate behaviour or overcome under-performance within their organisations, our team of over 350 specialists draw upon extensive industry and functional experience to deliver the best outcomes for stakeholders.

## **Contacts**

#### Melbourne

Level 24 333 Collins Street Melbourne VIC 3000

Tel: +61 3 8623 3333 Fax: +61 3 8623 3399 info@kordamentha.com

#### Brisbane

Level 14 12 Creek Street Brisbane QLD 4000

Tel: +61 7 3338 0222 Fax: +61 7 3338 0298 info@kordamentha.com

#### Singapore

16 Collyer Quay #30-01 Singapore 049318

Tel: +65 6593 9333 Fax: +65 6593 9399

sing.info@kordamentha.com

#### Sydney

Level 5 Chifley Tower 2 Chifley Square Sydney NSW 2000

Tel: +61 2 8257 3000 Fax: +61 2 8257 3099 info@kordamentha.com

#### Townsville

Level 6 75 Denham Street Townsville QLD 4810

Tel: +61 7 4724 9888 Fax: +61 7 4724 5405 info@kordamentha.com

#### **Jakarta**

Level 18 World Trade Centre II Jalan Jend. Sudirman Kav 29-31 Jakarta 12920 Indonesia

Tel: +62 21 2939 2018 Fax: +62 21 2939 2002

sing.info@kordamentha.com

#### Perth

Level 10 40 St Georges Terrace Perth WA 6000

Tel: +61 8 9220 9333 Fax: +61 8 9220 9399 info@kordamentha.com

#### New Zealand

Level 16 Tower Centre 45 Queen Street Auckland 1010, New Zealand

Tel: +64 9 307 7865 Fax: +64 9 377 7794 nz@kordamentha.com

### kordamentha.com

This publication, and the information contained therein, is prepared by KordaMentha Partners and staff. It is of a general nature and is not intended to address the circumstances of any particular individual or entity. It does not constitute advice, legal or otherwise, and should not be relied on as such. Professional advice should be sought prior to actions being taken on any of the information. The authors note that much of the material presented was originally prepared by others and this publication provides a summary of that material and the personal opinions of the authors.

KM Private Clients Pty Ltd | ACN 611 740 160 | AFSL 486798 | Limited liability under a scheme approved under Professional Standards Legislation.