How super changed from 1 July 2017

The Federal Government has legislated a range of changes to the superannuation (super) system. Most of these changes came into effect on 1 July 2017.

It is important that you review these changes and consider whether any of them affect your super.

We believe that super remains the most tax-effective way to accumulate savings for your retirement.

We believe the information is correct however you can see much more detail on the website of the Australian Tax Office (ATO):
https://www.ato.gov.au/Individuals/Super/In-detail/Super-changes---FAQs/

You can also speak with one of our people at MIESF on:
1800 252 099 or (03) 9662 3861 (for callers from mobile phones)

Alternatively, you can send us a written query by email to:
fundadmin@miesf.com.au

Some details of the changes are shown below.

1. **LISTO replaced LISC**
2. **More access to the tax offset for spouse contributions**
3. **Departing Australia superannuation payment (DASP) tax changes**
4. **Concessional contributions cap reduced**
5. **More access to tax deductions for personal contributions to super**
6. **Non-concessional contributions cap reduced**
7. **Changes to transition to retirement (TRR) income streams**
8. **New $1.6 million transfer balance cap for pensions**
9. **Change to Division 293 income threshold for high income earners' tax**

1. LISTO replaced LISC

Up until 1 July 2017, the Federal Government made a payment of up to $500 to your super account if you earn $37,000 or less in a financial year. This is known as the Low Income Super Contribution (LISC).

From 1 July 2017, the LISC was replaced by the Low Income Superannuation Tax Offset (LISTO).

The LISTO will continue to ensure that lower income workers generally don't pay more tax on their super than on their take-home pay. It aims to help low income earners save for their future and compensates them for the 15% tax paid on compulsory super guarantee contributions.

You don't need to apply for the LISTO. If you are eligible and MIESF has your tax file number, the Government will make the payment automatically.

2. More access to the tax offset for spouse contributions

The tax offset on spouse contributions is now available to more Australians.

From 1 July 2017, you can apply to claim a tax offset of up to $540 if you make super contributions for a spouse whose "total income" is less than $37,000 (an increase from $10,800). "Total income" is assessable income plus all reportable fringe benefits and salary sacrifice super contributions.

The maximum offset of $540 is based on 18% of a $3,000 contribution per year. The offset phases out for spouses with "total income" between $37,000 and $40,000 per year.

Other conditions apply – and remember, contributions made to your spouse's super count towards their non-concessional contribution cap.

'Spouse' includes de facto and married couples.

Please refer to the ATO website for more details.

3. Departing Australia superannuation payment (DASP) tax changes

From 1 July 2017, a new tax rate of 65% applies to departing Australia superannuation payments (DASPs) made to former temporary residents who were working holiday makers.

You are classified as a Working Holiday Maker (WHM) if you hold or have held a visa subclass 417 (Working Holiday) or 462 (Work and Holiday).

Your DASP from the Fund will be subject to the 65% tax rate if it includes any super contributions made to the Fund while you held the above visas. The 65% tax rate will also apply to those elements of your super in the Fund you may have earned while working under a different visa. Any tax-free component will not be taxed.

4. Concessional contributions cap reduced

Your concessional contributions cap includes super guarantee (SG) payments made by your employer, plus any extra contributions you make out of your before-tax income, either as salary sacrifice or other tax deductible personal contributions. These contributions receive concessional tax treatment, i.e. they are usually taxed in the Fund at 15%.

From 1 July 2017, the concessional contributions cap (for before-tax contributions) was reduced to $25,000 per year for all taxpayers, regardless of age. If you contribute over this amount, you will have to pay extra tax.

Previously, it was $35,000 for people 49 years and older at the end of the previous financial year and $30,000 for everyone else.

From 1 July 2018 onwards you can also 'carry over' unused portions of your cap for up to five years, as long as you have less than $500,000 in super. For example, if you use $20,000 of your $25,000 cap in the 2018/19 financial year, you would have $5,000 left over to carry over into the 2019/20 financial year, provided you have less than $500,000 in super as at 30 June 2019.

5. More access to tax deductions for personal contributions to super

Up until 1 July 2017, an individual (primarily self-employed) could claim a deduction for personal super contributions only where they met certain conditions. One of these conditions was that less than 10% of their income was from salary and wages.

From 1 July 2017, this condition was removed, meaning other workers, including split-income earners, contract workers and full-time employees, will now be able to claim this tax deduction.

This means that more people may be entitled to claim a tax deduction for personal contributions they make to superannuation. If you're under age 65, or aged 65 to 74 and meet the work test, you may be able to claim a full tax deduction on your personal (after-tax) contributions.

This change allows everyone to make concessional contributions and gives you the flexibility to 'close the gap' if your concessional contributions (including SG) are below the cap near the end of the financial year.

These contributions are treated as concessional contributions, so a $25,000 cap will apply, and you also have the opportunity to carry over unused portions of your cap.

Please refer to the ATO website for more detail including the process to follow to notify MIESF and the ATO so that the correct tax treatment can apply.

6. Non-concessional contributions cap reduced

Voluntary member contributions for which you do not claim an income tax deduction and spouse contributions made into your super are known as non-concessional contributions. No tax is applied by the Fund to these amounts at the time that they are contributed to the Fund, provided they are within a cap.

From 1 July 2017, the non-concessional contributions cap (for after-tax contributions) was reduced from $180,000 to $100,000 for each financial year.

If you exceed the contributions cap you may have to pay extra tax.

If you are aged 65 to 74 you can only make voluntary member contributions to super if you satisfy the work test, i.e. you are gainfully employed at least 40 hours during a consecutive 30 day period each financial year in which the contributions are made.

If you are under age 65 you can 'bring forward' up to three years' worth of after-tax contributions in a single financial year – meaning you can contribute up to $300,000.

There are complicated 'bring forward' rules that you should check on the ATO website if you wish to contribute more than $100,000 in a financial year.

Note that from 1 July 2017, you won't be able to make any non-concessional (after-tax) contributions to super if your super balance (in one or more funds) was above $1.6 million as at 30 June of the previous year. If you do make non-concessional contributions these will be regarded as exceeding the contributions cap.

7. Changes to transition to retirement (TTR) income streams

From 1 July 2017, investment earnings in TTR arrangements are no longer tax-free. The earnings are subject to a concessional rate of tax of 15% – the same rate paid on earnings in your super accumulation account. This change applies to both new and existing TTRs.

Investment earnings in allocated or account based pension arrangements continue to be tax-free. If you are receiving a TTR pension and are over age 65 or have fully retired from the workforce you should contact the Fund and convert your TTR pension to an allocated or account based pension.

8. New $1.6 million transfer balance cap for pensions

From 1 July 2017, the total amount of money you can transfer from super to a tax-free pension environment is limited to $1.6 million. This cap will increase in $100,000 increments in line with the Consumer Price Index (CPI).

The $1.6 million transfer balance account does not apply to transition to retirement income streams.

If you have an existing pension balance of over $1.6 million (in one or more funds) you will need to consider your options to reduce the balance to $1.6 million or less. You may be able to roll money back into an accumulation account, or withdraw funds to reduce the balance.

Please refer to the ATO website for more details of this measure.

9. Change to Division 293 income threshold for high income earners' tax

From 1 July 2017, if the total of your income and concessional (before-tax) super contributions exceeds $250,000 (previously $300,000), you will be required to pay an extra 15% tax on the lesser of:

- the excess over $250,000; or
- your concessional super contributions.