

SPECIAL POINTS OF INTEREST:

1. \$500,000 lifetime cap scrapped
2. New non-concessionals limits apply from 1 July 2017
3. Changes for 65 to 74 year olds abolished

INSIDE THIS ISSUE:

1. Government scraps lifetime cap idea

GOVERNMENT SCRAPS LIFETIME CAP IDEA

In a welcome move, the Government has now scrapped the \$500,000 lifetime limit for non-concessional contributions previously announced in the 2016-17 Federal Budget.

Instead, from 1 July 2017, the Government will lower the non-concessional contributions cap, **and** restrict the ability to make non-concessional contributions to those individuals with superannuation balances up to \$1.6 million.

WARNING—The changes announced by the Federal Government are not yet law.

Current situation with non-concessional contributions

Individuals can currently make non-concessional (i.e., after-tax) superannuation contributions of \$180,000, or \$540,000 every three years for individuals under 65.

Previously, the Government announced in the 2016-17 Federal Budget that it intended to make the following changes to non-concessional contributions, effective from 7.30pm, 3 May 2016:

- abolish the existing annual non-concessional contributions cap of \$180,000 (including the \$540,000 cap under the three year 'bring forward' rule for individuals under 65); and
- replace it with a lifetime, indexed non-concessional contributions cap of \$500,000 for all individuals up to age 74.

New proposal to replace the lifetime cap

On 15 September 2016, the Government announced that it will no longer proceed with its proposal to introduce a lifetime non-concessional contributions cap of \$500,000.

The Government now proposes to **lower** the annual non-concessional

contributions limit to \$100,000 (indexed) from 1 July 2017. In line with this reduced annual cap, the new proposal states that individuals aged under 65 will have a reduced bring forward limit of \$300,000.

Furthermore, individuals with superannuation balances over \$1.6 million (assessed at the end of the previous income year) will no longer be eligible to make non-concessional contributions from 1 July 2017.

TIP—The proposal states that the amendments to the non-concessional contribution rules are to commence on 1 July 2017. Individuals with balances over \$1.6 million should still be eligible to make non-concessional contributions before this time.

EXAMPLE—Hans, aged 52, is a member of an SMSF with a total fund balance of \$2.3m. He wishes to make non-concessional contributions of \$540,000 during December 2016. Hans has not triggered the bring forward rule in an earlier income year. Under the Government's new proposal, Hans can contribute \$540,000 in December 2016, even though his superannuation balance is over \$1.6m.

Transitional arrangements for the bring-forward rule

The new measures applying to non-concessional contributions are not expected to apply until 1 July 2017.

As a result, the Government has introduced transitional arrangements. The announcement states that these transitional arrangements apply to individuals who:

- made non-concessional contributions during the 2016 or 2017 income years;
- triggered the bring-forward rule; and
- have not fully utilised their bring-forward amount.



“...individuals with superannuation balances over \$1.6 million cannot make non-concessional contributions from 1 July 2017”

“...the Government has also made a number of other changes to previous superannuation announcements”.

ADDITIONAL SUPERANNUATION CHANGES

These transitional rules are expected to apply as outlined below.

Bring-forward rule triggered during the 2016 income year

An individual triggered the bring forward rule during the 2016 income year if they:

- made non-concessional contributions over \$180,000 during that income year; and
- did not trigger the bring forward rule in the 2014 nor 2015 income years.

Individuals who triggered the bring forward rule during the 2016 income year who do not contribute \$540,000 cap by 30 June 2017 will have a transitional bring-forward cap of **\$460,000**. This is calculated as follows:

$$\begin{aligned} &\$180,000 \text{ (2016 income year) +} \\ &\$180,000 \text{ (2017 income year) +} \\ &\$100,000 \text{ (2018 income year)} \end{aligned}$$

That is, these individuals will be permitted to make non-concessional contributions of **\$460,000** during the 2016, 2017 and 2018 income years.

EXAMPLE—Molly, aged 45, receives an inheritance of \$250,000, which she contributes to her SMSF during the 2016 income year. This contribution triggers Molly’s bring forward rule. Molly makes no further non-concessional contributions during the 2016 nor 2017 income years. If Molly wishes to contribute during the 2018 income year, she will have a transitional cap of \$460,000, meaning she could contribute a further \$210,000 (i.e., \$460,000 - \$250,000) during the 2018 income year.

Bring-forward rule triggered during the 2017 income year

Individuals who trigger the bring-forward rule during the 2017 income year will have a transitional cap of **\$380,000**. This is calculated as follows:

$$\begin{aligned} &\$180,000 \text{ (2017 income year) +} \\ &\$100,000 \text{ (2018 income year) +} \\ &\$100,000 \text{ (2019 income year)} \end{aligned}$$

Therefore, individuals who triggered the bring forward rule during the 2017

income year will have a transitional cap of **\$380,000** if they did not contribute \$540,000 by 30 June 2017.

Individuals with high balances

As noted above, individuals with superannuation balances over \$1.6 million cannot make non-concessional contributions from 1 July 2017. From this time, the following caps will apply to individuals with balances close to \$1.6 million:

Super balance at end of previous income year	Bring-forward available
Less than \$1.3m	3 years (\$300,000)
\$1.3m to < \$1.4m	3 years (\$300,000)
\$1.4m to < \$1.5m	2 years (\$200,000)
\$1.5m to < \$1.6m	1 year (\$100,000)
\$1.6m +	Nil

Other superannuation changes

Due to the added cost to the bottom line from abolishing the \$500,000 lifetime non-concessional contributions cap, the Government has also made a number of other changes to previous superannuation announcements:

Individuals aged 65 to 74

In the 2016-17 Federal Budget, the Government announced that it intended to abolish the restrictions on contributions (e.g., the ‘work test’) applying to individuals aged 65 to 74 from 1 July 2017. However, the Government has decided not to proceed with this change. **This means that the current rules will continue to apply beyond 30 June 2017.**

Delay – catch-up concessional contributions

The Government previously announced that it intended to introduce a new five-year rolling concessional contributions cap from 1 July 2017. This new cap, if introduced, will allow individuals with superannuation balances below \$500,000 to carry forward unused concessional cap amounts for up to five years. Eligible individuals could then make catch-up payments, where possible. However, the introduction of this proposed change has now been delayed from 1 July 2017 until 1 July 2018.

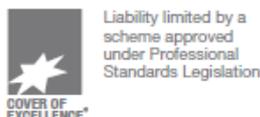


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