Changes to Superannuation rules from 1 July 2017

1. Division 293 threshold (the point at which high income earners pay addition contributions tax) will be lowered from $300,000 to $250,000 from 1 July 2017. The annual cap on concessional superannuation contributions will also be reduced to $25,000 (currently $30,000 under age 50; $35,000 for ages 50 and over).

2. The tax exemption on earnings of assets supporting Transition to Retirement Income Streams (TRISs) will be removed from 1 July 2017.

A rule that allows individuals to treat certain superannuation income stream payments as lump sums for tax purposes will also be removed.

These changes will ensure that TRISs remain fit for purpose, are not accessed primarily for their tax advantage, and still meet the objective of supporting people who want to remain in the workforce.

3. A lifetime non-concessional contributions cap of $500,000 will be introduced. To ensure maximum effectiveness, the lifetime cap will take into account all non-concessional contributions made on or after 1 July 2007, from which time the ATO has reliable contributions records, and will commence at 7.30 pm (AEST) on 3 May 2016.

The lifetime non-concessional cap will replace the existing annual caps which allow annual non-concessional contributions of up to $180,000 per year (or $540,000 every three years for individuals aged under 65).

4. The current restrictions on people aged 65 to 74 from making superannuation contributions for their retirement will be removed from 1 July 2017. People under the age of 75 will no longer have to satisfy a work test and will be able to receive contributions from their spouse.

Currently, there are minimum work requirements for Australians aged 65 to 74 who want to make voluntary superannuation contributions. Restrictions also apply to the bring-forward of non-concessional contributions. In addition, spouses aged over 70 cannot receive contributions.

5. Individuals with a superannuation balance less than $500,000 will be allowed to make additional concessional contributions where they have not reached their concessional contributions cap in previous years, with effect from 1 July 2017. Amounts are carried forward on a rolling basis for a period of five consecutive years, and only unused amounts accrued from 1 July 2017 can be carried forward

6. From 1 July 2017 all individuals up to age 75 will be allowed to claim an income tax deduction for

personal superannuation contributions. Prior to 1 July 2017, an individual (mainly those who are self-employed) was able to claim a deduction for personal super contributions where less than 10% of their income is from salary and wages. This was known as the 10% maximum earnings condition and will be removed.

This effectively allows all individuals, regardless of their employment circumstances, to make concessional superannuation contributions up to the concessional cap.

7. A low income superannuation tax offset (LISTO) will be introduced to reduce tax on superannuation contributions for low income earners from 1 July 2017.

The LISTO will provide a non-refundable tax offset to superannuation funds, based on the tax paid on concessional contributions made on behalf of low income earners, up to a cap of $500. The LISTO will apply to members with adjusted taxable income up to $37,000 that have had a concessional contribution made on their behalf.

8. The income threshold for the receiving spouse (whether married or de facto) of the low income spouse tax offset will be increased from $10,800 to $37,000 from 1 July 2017.

9. A balance cap of $1.6m on the total amount of accumulated superannuation an individual can transfer into the tax-free retirement phase will be introduced from 1 July 2017. Subsequent earnings on these balances will not be restricted. This will limit the extent to which the tax-free benefits of retirement phase accounts can be used by high wealth individuals.

Where an individual accumulates amounts in excess of $1.6m, they will be able to maintain this excess amount in an accumulation phase account (where earnings will be taxed at the concessional rate of 15%). Members already in the retirement phase with balances above $1.6m will be required to reduce their retirement balance to $1.6m by 1 July 2017. Excess balances for these members may be converted to superannuation accumulation phase accounts.

A tax on amounts that are transferred in excess of the $1.6m cap (including earnings on these excess transferred amounts) will be applied, similar to the tax treatment that applies to excess non-concessional contributions.

The amount of cap space remaining for a member seeking to make more than one transfer into a retirement phase account will be determined by apportionment. Commensurate treatment for members of defined benefits schemes will be achieved through changes to the tax arrangements for pension amounts over $100,000 from 1 July 2017. Consultation will be undertaken on the implementation of this measure for members of both accumulation and defined benefits schemes.

10. The anti-detriment provision in respect of death benefits from superannuation will be removed from 1 July 2017.