Super changes in review

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As a new year starts, it is timely to ensure you are up-to-date with recent changes to super.

The last twelve months has seen significant changes to superannuation. With this in mind, it is well worth taking the time to ensure you are up-to-date with the changes and their implications, especially as the end of the financial year approaches.

Annual cap on the amount of concessional contributions you can pay

The annual cap on concessional (before tax) contributions is now $25 000 per annum for all employed people, down from its previous rate of $30 000 for those aged less than 50 years and $35 000 for those aged 50 and over.

Concessional contributions include Superannuation Guarantee paid by your employer, amounts you choose to salary sacrifice and contributions for which you intend to claim a tax deduction.

If your concessional contributions exceed the new cap, contributions in excess of the cap will be taxed at a higher rate. You should periodically check with your super fund whether or not your concessional contributions are nearing the cap.

Tax deductions for contributions

One other recent change by the government was to broaden access across more Australians to the concessional contributions cap to include both employees and self-employed persons. All people under 75 years of age may now be able to claim an income tax deduction for personal superannuation contributions to an eligible fund with people aged between 65 and 74 needing to first satisfy a work test.

Personal contributions for which a tax deduction is claimed count towards the concessional contributions cap of $25 000.

Non-concessional contributions

The annual cap on non-concessional (after tax) contributions has been reduced to $100 000 per annum down from $180 000 per annum.

However, if you are under 65 years of age, you may be able to make non-concessional contributions of up to three times the annual cap (i.e. $100 000) in a single year to a maximum 'bring-forward' amount of $300 000.

Super fund members with a total super balance of $1.6m at 30 June of the previous financial year are reminded that non-concessional contributions are no longer permitted.

For those earning over $250 000

People with more than $250 000 of income and superannuation contributions (adjusted for other benefits) now pay an additional 15 per cent tax on their concessional →

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contributions on those super contributions that exceed the $250 000 threshold.

However, this effective tax rate of 30 per cent continues to be less than the marginal tax rate for those earning greater than $250 000.

Super balances of lower income spouses

To help lower income earning spouses increase the superannuation they accumulate, a person can make a contribution on behalf of their spouse and claim a tax offset. To access the offset, the income threshold for the receiving spouse has been increased from $10 800 to $37 000, thereby helping more families to support each other in accumulating superannuation.

A contributing spouse is eligible for an 18 per cent tax offset worth up to a maximum of $540 for contributions made to an eligible spouse's superannuation account.

The tax offset is reduced for income above $37 000, phasing out at an income above $40 000.

First home super saver scheme

From 1 July 2018, eligible super fund members will be able to apply to withdraw contributions made to super after 1 July 2017 to use as a first home deposit.

The Government's intention in introducing the First Home Super Saver (FHSS) Scheme was to reduce pressure on housing affordability.

Eligibility for the scheme includes the following:

- be 18 years or over,
- have not previously owned property in Australia,
- have not previously released FHSS Scheme funds,
- either live or intend to live in the premises you are buying as soon as practicable, and
- intend to live in the property for at least six months of the first twelve months you own it, after it is practical to move in.

Up to $15 000 of contributions made in a financial year can count towards the amount that can be released. The maximum amount of contributions that can be released is $30 000 plus associated earnings.

Concessional contributions and earnings that are withdrawn will be taxed at marginal rates less a 30 per cent offset.

Government super co-contributions

Government super co-contributions have been available since 2003, and remain a helpful way for eligible people to boost their retirement savings.

Lower or middle-income earners who meet the criteria and make concessional contributions to their super fund are eligible for a government co-contribution up to a maximum amount of $500.

The amount that the government co-contributes depends on your income and how much you contribute.

More information on the eligibility criteria can be found on the ATO website.[1]

Super tax concessions remain one of the best ways to boost your retirement savings

While there have been considerable changes to super over the last twelve months, what remains unchanged is that super is one of the most tax effective ways to save for your retirement.

Super also remains the only way to make financial contributions to your retirement safe in the knowledge that the funds contributed generally cannot be used for other purposes and will be there when you do retire, or begin to transition into retirement.

If you are not sure how recent changes affect you or your family, or you would like to know more about super in general, now is the time to contact your super fund.

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1 See *https://www.ato.gov.au/Individuals/Super/In-detail/Growing/Super-co-contribution/?anchor=Eligibilityforthesupercocontribution#Eligibilityforthesupercocontribution*