First Super – Super and Pension

Significant Event Notice

1 July 2017

This notice explains the changes implemented from the 2016 Federal Budget, where a number of reforms to superannuation were proposed, and which came into effect on 1 July 2017.

What is changing?

In the 2016 Federal Budget, a number of reforms to superannuation were proposed, which came into effect on 1 July 2017.

We have set out below how they may impact First Super Members.

Changes in contributions caps

There are limits on the amount you can contribute to super both before tax (e.g. Super Guarantee, salary sacrifice amounts) and after tax. On 1 July 2017, these limits changed.

	Prior to 1 July 2017	From 1 July 2017
Concessional Contributions (i.e. super guarantee, salary sacrifice)	$35,000 for individuals 50 and over $30,000 for individuals 49 and under	$25,000 for all Able to make catch up contributions from 1 July 2019 if your total super balance is under $500,000 at 30 June of the previous year. (Members aged 65-74 will need to satisfy a work test.)
Non-Concessional Contributions	$180,000 per year	$100,000 per year or 'bring forward' three years of contributions which is $300,000 if you are under 65 (Contributions restricted to members with a super balance less than $1.6 million as at 1 July 2017)

Claiming a tax deduction on superannuation contributions

Prior to 1 July 2017, only self-employed people and those that earnt less than 10% of their income from salary or wages, were eligible to claim a tax deduction for any contributions they made to super. The contributions were then treated as 'before tax (concessional) contributions'.

On 1 July 2017, the 10% rule was removed. If you are 65–74 years old at the end of the income year in which you made the contribution, you still need to satisfy a work test in each financial year that you make a contribution to claim a deduction. To satisfy the work test, you must work at least 40 hours during a consecutive 30-day period each financial year for which you want to claim a deduction for a personal super contribution. If you are 75 years old or older, you can only claim a deduction for contributions you made on or before the 28th day of the month following the month in which you turned 75.

Spouse offset eligibility requirements

Prior to 1 July 2017, individuals could claim a maximum tax offset of $540 for contributions made to their spouse's eligible super fund if, among other things, the sum of their spouse's assessable income, total reportable fringe benefits and reportable employer super contributions was $10,800 or less. The tax offset amount gradually reduced for incomes above $10,800 and completely phased out when the income reached $13,800.

From 1 July 2017, the spouse income threshold has increased, Individuals are able to claim the maximum tax offset of $540 if:

- they contribute to the eligible super fund for their spouse, whether married or de-facto, and
- their spouse's income is $37,000 or less.

The tax offset amount will gradually reduce for income above this amount and completely phases out when your spouse's income reaches $40,000.

Individuals cannot claim the tax offset when their spouse who is receiving the contribution:

- exceeds their non-concessional contributions cap for the relevant year, or
- has a total superannuation balance equal to or exceeding the general transfer balance cap ($1.6 million for 2017–18) immediately before the start of the financial year in which the contribution was made.

High income earnings tax

From 1 July 2017, if your combined income and super contributions exceed $250,000 you may have to pay extra tax on the excess, this is known as Division 293 tax. This has reduced from the previous $300,000 threshold. An additional 15% tax is applied to the lesser of:

- the excess, or
- the concessional (i.e. the before tax) contributions (except excess contributions).

Changes to anti-detriment payments

Prior to 1 July 2017, 'anti-detriment' provisions in the tax law enabled superannuation fund trustees, such as First Super, to be able to claim a tax deduction in their tax return for top up payments made as part of a death benefit payment made where the beneficiary is a dependant of the deceased member.

The top-up amount represented a refund of a member's lifetime super contribution tax payments. The tax laws were changed on 1 July 2017 so that this is no longer possible in respect of payments made to a dependant/s where the member dies after 1 July 2017. Transitional rules apply where the member died before 1 July 2017 but the death benefit payment (to a dependant) has not yet been paid.

Transfer balance cap

From 1 July 2017, the Federal Government limited the amount you can transfer from your super into the retirement phase (an income stream), for example, the First Super Allocated Pension. This limit is known as the 'transfer balance cap' and for the 2017/18 financial year, this is set at $1.6 million. This is the maximum combined amount you can have in the First Super Allocated Pension and any other income stream accounts. This will be reassessed annually in $100,000 increments in line with movements in the consumer price index.

Members who exceed their transfer balance cap may have to pay an excess transfer balance tax and be required to withdraw the excess from their income stream account(s).

The First Super Transition to Retirement Pension is not in the retirement phase, and will not be counted towards your transfer balance cap. But if it converts to a First Super Allocated Pension (or another retirement income stream), say due to retirement or obtaining age 65, then the balance in that account will count towards the transfer balance cap.

The balance that remains in the TTR income stream will however be considered for purposes of determining whether you can continue to make after-tax contributions to your super account.