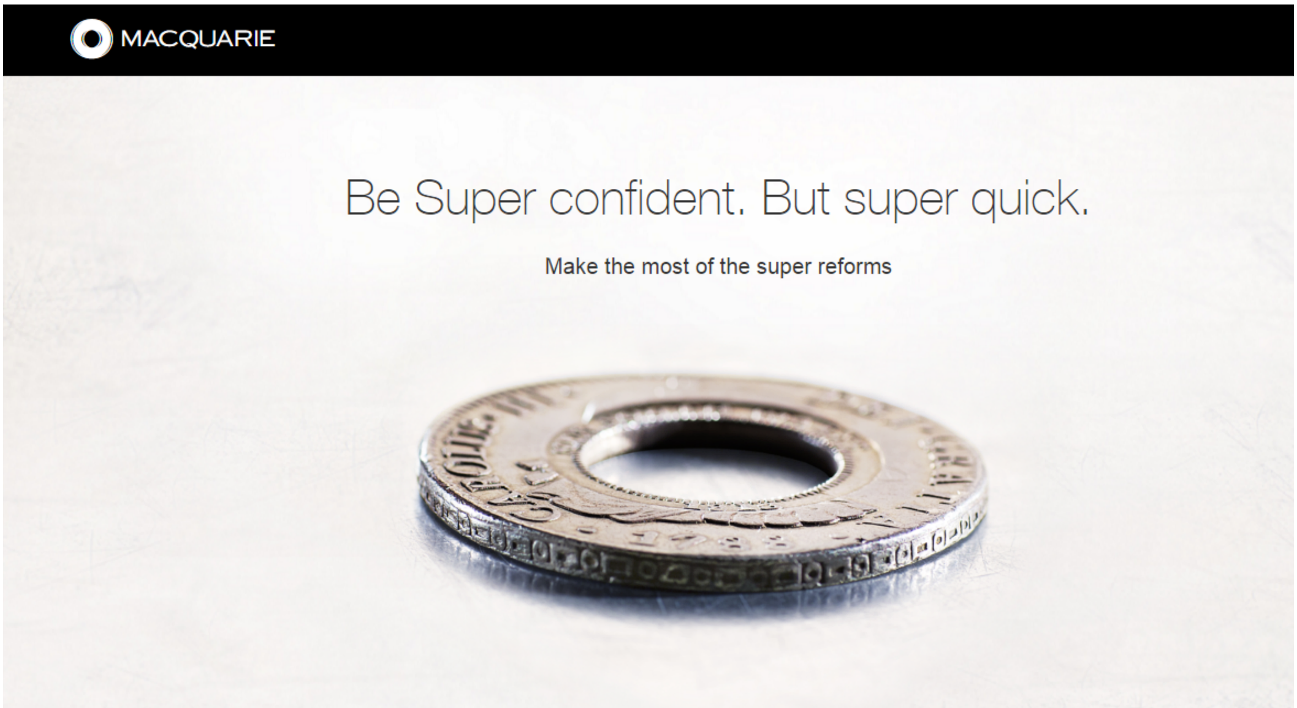

Five changes everyone must know

1. Pre-tax super contributions

The pre-tax superannuation annual contributions (also known as concessional contributions) cap will be reduced to $25,000 from 1 July 2017. If your client was 49 years of age or older on 30 June 2016, they may contribute up to $35,000 of pre-tax contributions by 30 June 2017, otherwise (if younger) their limit is $30,000.

2. After-tax super contributions

- The Government will no longer proceed with the proposal to limit after-tax super contributions (also known as non-concessional contributions) to a lifetime limit of $500,000.

- Instead, the after-tax super contribution annual cap will be reduced from $180,000 to $100,000 from 1 July 2017. If your client is under 65 years of age at any time during the income year, they can ‘bring forward’ two future years of contribution capacity. Importantly, the existing threshold of $180,000 per annum (and $540,000 on a ‘bring forward’ basis) remains in place until 30 June 2017.

- From 1 July 2017, if your client’s total superannuation balances across all super funds exceed $1.6 million on 30 June 2017, they will not be able to make any after-tax contributions in 2017-18. If their total superannuation balances is less than $1.6 million but exceeds $1.4 million, they will be subject to a scaled back after-tax contribution capacity.

3. The $1.6 million pension cap

- The amount your client will be able to transfer into the tax exempt pension phase of superannuation will be capped at $1.6 million from 1 July 2017. Any existing superannuation pensions will be assessed against the cap based on the 30 June 2017 balances of those accounts. Amounts assessed as being in excess of the cap will need to be transferred out of the tax exempt pension phase, either back to the accumulation phase (taxable at 15 per cent) or out of the superannuation system entirely.

- Although transfers to the tax exempt pension phase will be limited to $1.6 million, there's no restriction on how much your client can continue to hold in the accumulation phase, which is taxed at the concessional rate of 15 per cent.

- As pension payments are not required from the accumulation phase, some individuals may find their post 30 June 2017 arrangement is a better long term strategy than their existing position.

4. Transition to retirement (TTR) pensions

From 1 July 2017, the investment earnings of TTR pensions will no longer be exempt from tax.

5. Capital gains tax (CGT) relief

A CGT relief election has been introduced to alleviate the possible CGT consequences of the $1.6 million cap and taxation of TTR pensions. The CGT relief will help preserve the tax free status of capital gains accrued while supporting a pension.