TOP FIVE QUESTIONS

FOR HIGH INCOME INDIVIDUALS

Australian Government
Australian Taxation Office

Superannuation changes announced by the Australian Government start on 1 July 2017 – with high income individuals amongst some of those who may be affected.

To debunk some of the misconceptions surrounding the reforms, we have outlined five of the most frequently asked questions, to help high income individuals prepare for and better understand the changes ahead.

1. Can I still contribute $540,000 before 1 July 2017? What happens if I trigger a bring forward arrangement but don't fully use it before 1 July 2017?

Yes, you may be able to contribute up to $540,000 if you are under 65 and have not previously triggered a bring forward in the previous two years.

If you make a contribution of $540,000 in the 2016–17 financial year, you won't be able to make any more contributions until 1 July 2019 without triggering excess non-concessional contributions.

If you have made a non-concessional contribution in the 2015-16 or 2016–17 financial years that triggered the bring forward, but **have not fully used** your bring forward before 1 July 2017, transitional arrangements will apply so the amount of bring forward available will reduce.

Where the non-concessional contribution bring-forward was triggered in the 2015–16 financial year, the transitional cap will be $460,000 (instead of $540,000) and if the bring forward was triggered in the 2016–17 financial year, the transitional cap will be $380,000.

2. What income is included in the Division 293 threshold of $250,000?

Division 293 tax (additional tax on concessional contributions) is paid by certain individuals whose income for surcharge purposes (other than reportable super contributions), plus their concessionally taxed super contributions (also known as low tax contributions) are greater than $250,000 from 1 July 2017.

Low tax contributions include:

- Employer contributions (including compulsory super guarantee contributions and salary sacrificed amounts) paid to an accumulation interest;
- Personal super contributions that are tax deductible; and
- Defined benefit contributions (for defined benefit interests).

3. How is my total superannuation balance calculated?

Your total superannuation balance is the sum of:

- The accumulation phase value of your superannuation interests;
- If you have a transfer balance account, its current balance (but if you receive an account-based pension the balance is adjusted to reflect the current value of that pension);
- Any rolled over superannuation benefits not reflected in your accumulation phase value or balance of your transfer balance account (generally this would be a roll-over that has not yet been allocated to you by the destination fund);
- Reduced by the sum of any structured settlement contributions.

4. Will I be able to claim a deduction for personal (after tax) super contributions I make to my fund that I have a defined benefit interest in (CSS, PSS)?

You need to check with your fund whether you can claim a deduction.

Effective from 1 July 2017, you will not be eligible to claim a deduction for personal super contributions that have been made to certain types of funds.

These funds include:

- Constitutionally protected funds;
- Commonwealth public sector superannuation funds in which you had a defined benefit interest; and
- Certain other superannuation funds in which you had a defined benefit interest.

If you are a member of one of these funds, they will not acknowledge a notice of intent for any personal contributions you make to them.

5. I currently salary sacrifice to my super fund. Can I stop my salary sacrifice and just claim my personal (after tax) super contributions as a deduction?

Yes. You can claim a personal super contributions deduction, but not for the sacrificed amounts already made and only if you meet the eligibility conditions. Before 1 July 2017, you are only able to claim a deduction if you meet a number of conditions, including the 10% maximum earnings test. From 1 July 2017, you will not be required to meet the 10% maximum earnings test, however you'll still need to ensure you meet all other conditions to be eligible to claim a personal super contributions deduction.

Note: Members who cease salary-sacrificing may want to remind their employer to ensure their SG is paid as per their super obligations.

For more information visit ato.gov.au/superchanges

Information correct as at 25 May 2017