Super tax changes in 2017

The Federal Coalition government announced a number of major changes to super in its May 2016 budget. At the end of last November, the government passed legislation to implement these changes, which generally apply from 1 July 2017. This Fact Sheet provides a summary of the laws and how they might affect APSS members. You may wish to refer to this for your super and tax planning this year.

Are you…	If so, then…
Contributing to super on behalf of your spouse? (e.g. contributing to an APSS Spouse Account)	In general, you could **claim the tax offset if your spouse earns less than $40,000 a year** and is either under age 65, or aged 65 to 70 and meets the work test.* For example, to claim the maximum $540 tax offset, you would need to contribute $3,000 on behalf of your spouse in the financial year, and your spouse's income would need to be no more than $37,000 in that financial year. Also, be aware that no tax offset can be claimed if your spouse has more than $1.6 million^ in super, or has made contributions in excess of the $100,000 after-tax contribution cap (see *Making personal after-tax contributions to your super?* below).
Making personal before-tax contributions to your super? (e.g. contributing to any APSS Member Savings account)	• **You can't contribute more than $25,000** a year at the 15% tax rate, including employer contributions.** If you have a defined benefit, the 'notional taxed contributions' that are deemed to be paid into the APSS on your behalf by your employer are also counted. • You may be able to make before-tax contributions by claiming a tax deduction for after-tax contributions. Before 1 July 2017, this is something only self-employed people can do. From 1 July 2017, the tax deduction is generally available to individuals under 65 (and those between 65 and 74 who meet a work test*). Note that such contributions will be included in the $25,000 a year cap described in the previous bullet point.
Making personal after-tax contributions to your super? (e.g. contributing to any APSS Member Savings account)	• **You can't contribute more than $100,000** a year at a nil tax rate**, which is $80,000 less than the pre-1 July 2017 annual limit. • **You can't contribute at all at a nil tax rate if your 'super account balance' was $1.6 million^ or more at the last 30th of June.** This limit includes the withdrawal value of any defined benefit you're entitled to.

* This is a test to prove that a person has worked for a set period of time in the financial year.

** This contribution limit is indexed to Average Weekly Ordinary Time Earnings (AWOTE). You may be able to bring forward up to three years of the after-tax annual limit to make up to $300,000 in one year.

^ $1.6 million is indexed to inflation (i.e. CPI).

Super tax changes in 2017 (continued)

Are you…	If so, then…
Transitioning to retirement? (e.g. with an APSS Pension Account)	**Up to 15% tax** on the investment earnings of your Member Savings will start to apply because the tax exemption on earnings of all 'Transition to Retirement' (TTR) pensions will be removed.
Eligible for the Government Age Pension?	**From 1 January 2017, there are some changes to the assets test**, but the limits on how much income you can earn to qualify for the Government's Age Pension haven't changed. For details, go to: www.humanservices.gov.au/customer/services/centrelink/age-pension Or phone **Centrelink** between 8am and 5pm (AEST), Monday to Friday on: • **132 300** for Age Pension enquiries, or • **131 202** to speak to someone in a language other than English.
Earning no more than $37,000 a year?	**The 'Low Income Super Contribution' of up to $500 continues to offset the 15% super contributions tax**, but it will simply be renamed the 'Low Income Super Tax Offset' (LISTO). The ATO determines if you're eligible for the LISTO, and will advise the APSS annually if you are.
Earning 'total adjusted income' of $250,000 or more?	**A new 'total adjusted income' limit of $250,000 may trigger an additional 15% tax called the 'Division 293 tax'.** This new limit is $50,000 lower than the pre-1 July 2017 annual limit. In other words, you could earn up to $50,000 more in the 2016/17 financial year without triggering Division 293 tax. The Division 293 tax applies to concessional contributions, including your before-tax personal contributions and the 'notional taxed contributions' that are deemed to be paid into the APSS on your behalf by your employer to provide your defined benefit. This increases the tax on such contributions from 15% to 30%. The Division 293 tax generally applies only to concessional contributions up to the $25,000 limit described on the previous page (see 'Making personal before-tax contributions to your super?'). However notional taxed contributions above this limit may also be subject to the Division 293 tax.
Entitled to a super benefit of more than $1.6 million?	**Any amount in excess of your $1.6 million 'lifetime pension transfer cap' cannot be transferred into a tax-free retirement account** (e.g. an APSS Pension Account) from 1 July 2017 (or, if already in there, will need to be transferred out). **Investment earnings on any amount exceeding $1.6 million will incur 15% tax** if left invested in an accumulation account (e.g. APSS Rollover Account).

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