

Take advantage of super cap changes

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With changes to super caps likely to come into effect on 1 July 2017, now is the time to maximise your benefits under the current law.

Super fund members are likely to have until 30 June 2017 to top up their super by taking advantage of the current contribution caps which may no longer be available from 1 July 2017.

The federal government announced a raft of proposed changes to superannuation in its 3 May budget. However, in response to widespread criticism of some of the proposed changes, on 15 September the government announced that it had reconsidered some (but not all) of its original proposals.¹

Proposed lifetime non-concessional contributions cap of \$500 000 dropped

On budget night on 3 May the government announced that the current annual non-concessional super contribution cap of \$180 000 would be replaced by a lifetime cap of \$500 000. The change was intended to take effect immediately with the new \$500 000 cap taking into account all non concessional contributions made on or after 1 July 2007.

This proposed change was met with considerable

opposition given the adverse impact it would have on the capacity for individuals to accumulate retirement savings. Many perceived that the proposed change were retrospective.

In response to these concerns, the government announced on 15 September that it had reconsidered the proposal. Super fund members will now have until the end of the current financial year to take advantage of the current \$180 000 non-concessional contribution cap. They also have until the end of the financial year to consider taking advantage of the 'bring-forward rule' which allows up to three years' of non-concessional contributions to be made in the one year. This means that members in the position to do so can potentially make up to \$540 000 worth of non concessional contributions (the \$540 000 figure being 3 x \$180 000) by 30 June 2017.

After 30 June 2017, the current annual non-concessional contributions cap of \$180 000 will be reduced to \$100 000 per year. Over the balance of one's working life, this annual \$80 000 reduction will accumulate to a significant reduction in an individual's capacity to accumulate superannuation savings. Those who may be affected by this change would be well advised to consider taking advantage of the current option to 'bring-forward' up to \$540 000 before the end of the current financial year.

Super balance of more than \$1.6m

On 15 September the government also announced that individuals with a superannuation balance of more than \$1.6m will no longer be eligible to make non-concessional contributions from 1 July 2017. The government estimates that less than 1% of superannuants reach the proposed \$1.6m balance.

Work-test restrictions for people aged 65-74

On 3 May 2016 the government announced that from 1 July 2017 it would remove current work test restrictions so that those under the age of seventy five could make contributions and/or claim tax deductions for personal superannuation contributions to eligible superannuation funds, regardless of their employment circumstances. This meant that all individuals aged up to seventy five, regardless of their employment circumstances, would be able to make concessional super contributions up to the concessional cap.

However on 15 September 2016, the government announced that in order to fully offset the cost of reverting to the reduced annual non-concessional cap of \$100 000, it would not be proceeding with this change. However, individuals aged sixty five to seventy four who satisfy the work test remain able to make additional contributions to superannuation.

Catch-up concessional superannuation contributions

On 3 May 2016 the government announced that from 1 July 2017 those with balances of \$500 000 or less would be able to pay catch-up concessional superannuation contributions, subject to unused



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concessional contribution caps being carried forward on a rolling basis for up to five years.

This change was intended to boost the super savings of those with a lower superannuation balance due to lower contributions in the past, interrupted work patterns or an irregular capacity to make contributions. Women who took career breaks were likely to be one of the key beneficiaries of this change.

On 15 September 2016 the government announced that while it still intends to make these changes, their commencement date will be deferred by twelve months to 1 July 2018.

Concessional contributions cap

It is still the government's intention that from 1 July 2017 it will lower the concessional contributions cap to \$25 000 per annum, down from its current rate of \$30 000 for those aged less than fifty years and \$35 000 for those aged fifty and over.

With this in mind, super fund members have until the end of the financial year to take advantage of the current higher concessional (and non-concessional) caps levels before they are reduced.

Members wanting to take advantage of the current higher caps but who are unsure of how to do so without exceeding the cap should contact their super fund(s).

Finally, it is important to be aware that both the 3 May 2016 and 15 September 2016 announcements by the federal government are currently proposed changes to superannuation which at the date of writing are yet to be passed by parliament.

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1 See <http://treasury.gov.au/SuperReforms>