SUPERANNUATION

LIFETIME LIMIT ON NON-CONCESSIONAL CONTRIBUTIONS

A lifetime $500,000 non-concessional contributions cap will be introduced **from Budget night**.

The current system of annual non-concessional contributions of up to $180,000 per year (or $540,000 every three years for individuals aged under 65), will be replaced with this new lifetime cap.

The lifetime cap will take into account all non-concessional contributions made on or after 1 July **2007** and will commence at 7.30 pm (AEST) on 3 May 2016. Contributions made before commencement will not result in an excess. However, excess contributions made after commencement will need to be removed or will be subject to penalty tax. Practically, this is going to be very difficult to deal with.

The lifetime cap is available up to age 74.

REDUCTION OF CONCESSIONAL CONTRIBUTIONS CAP

The current concessional contributions cap will reduce to $25,000 from 1 July 2017.

	Current concessional cap	**From 1 July 2017**
Under age 50	$30,000	$25,000
50 and over	$35,000	$25,000

This will reduce the opportunity to contribute larger amounts into superannuation and make it more difficult to achieve a significant superannuation balance.

CAPPING TAX-FREE SUPER EARNINGS

A new $1.6 million cap will apply to how much can be transferred into a retirement (pension) phase account. Earnings on amounts within the account will continue to be tax-free. Transfers in excess of this $1.6 million cap (including earnings on these excess transferred amounts) will be taxed in a similar way to the tax treatment that applies to excess non-concessional contributions.

Where an individual accumulates amounts in excess of $1.6 million, they will be able to maintain this excess amount in an accumulation phase account (where earnings will be taxed at the concessional rate of 15%).

Members already in the retirement phase with balances above $1.6 million will be required to reduce their retirement balance to $1.6 million by 1 July 2017. Excess balances for these members may be converted to superannuation accumulation phase accounts.

The amount of cap space remaining for a member seeking to make more than one transfer into a retirement phase account will be determined by apportionment.

REMOVING TAX-FREE EARNINGS ON TRIS ACCOUNTS

The tax exemption on the earnings of assets supporting Transition to Retirement Income Streams will be removed from 1 July 2017. The rule that allows individuals to treat certain superannuation income stream payments as lump sums for tax purposes will also be removed.

30% TAX ON CONCESSIONAL CONTRIBUTIONS

At present, individuals with combined income and superannuation contributions of more than $300,000 pay an additional contributions tax of 15% on concessional contributions. From 1 July 2017, this income threshold will reduce to $250,000.

ANTI-DETRIMENT DEDUCTIONS ABOLISHED

The anti-detriment provision will be removed from 1 July 2017. The rules can currently allow a refund of a member's lifetime superannuation contributions tax payments into an estate where the beneficiary is a dependant of the member.

EXPANDING DEDUCTIBILITY OF CONTRIBUTIONS TO EMPLOYEES AND OVER 65s

All individuals up to age 75 will be able to claim an income tax deduction for personal superannuation contributions from 1 July 2017. This effectively allows all individuals, regardless of their employment circumstances, to make concessional superannuation contributions up to the concessional cap – partially self employed, employees whose employers don't offer salary sacrifice arrangements, etc.

This is a sensible move which means that it will no longer be necessary for individuals to pass a 10% test in order to be able to claim a deduction for personal superannuation contributions. Currently, an individual can only claim a deduction for personal contributions where less than 10% of their adjusted income for the year relates to employment activities. The 10% test can make it difficult for people who have started their own business to make deductible superannuation contributions where they also have part-time work.

Currently, people aged 65 to 74 have a number of restrictions inhibiting their capacity to contribute to superannuation, including a work test.

The Government is making changes so that people under the age of 75 will no longer have to satisfy a work test and will be able to receive contributions from their spouse. In some circumstances it will be an opportunity to boost retirement savings from sources other than work, such as downsizing the family home.

OFFSETS FOR LOW INCOME EARNERS WHO CONTRIBUTE

A Low Income Superannuation Tax Offset (LISTO) will provide a non-refundable tax offset to superannuation funds, based on the tax paid on concessional contributions made on behalf of low-income earners, up to a cap of $500. The LISTO applies to members with adjusted taxable income up to $37,000 that have had a concessional contribution made on their behalf.

'CATCH-UP' CONCESSIONAL CONTRIBUTION LIMITS

If your superannuation balance is less than $500,000, you will be able to make additional concessional contributions if you have not reached your concessional contributions cap in previous years. Amounts are carried forward on a rolling basis for a period of five consecutive years, and only unused amounts accrued from 1 July 2017 can be carried forward.

BUSINESS TAX

REDUCING THE COMPANY TAX RATE TO 25%

The company tax rate will be reduced to 25% over 10 years. The reduction will initially target companies with a turnover less than $10 million, then gradually increase access:

Year	Company annual aggregated turnover	Tax rate
2016-17	Less than $10 million	27.5%
	$10 million or more	30%
2017-18	Less than $25 million	27.5%
2018-19	Less than $50 million	27.5%
2019-20	Less than $100 million	27.5%
2020-21	Less than $250 million	27.5%
2021-22	Less than $500 million	27.5%
2022-23	Less than $1 billion	27.5%
2023-24	All	27.5%
2024-25	All	27%
2025-26	All	26%
2026-27	All	25%

Franking credits will still be calculated with reference to the amount of tax paid by the company paying the dividends.

'SMALL' BUSINESS EXPANDED

In a significant win for business, the small business entity turnover threshold will increase from $2 million to $10 million from 1 July 2016. The reform will give a greater number of businesses access to a range of tax concessions such:

- The lower small business corporate tax rate (27.5%);
- Simplified depreciation rules including an immediate write-off for assets costing less than $20,000 that are acquired by 30 June 2017 and depreciation pooling provisions;
- Simplified trading stock rules; AND
- The option of accounting for GST on a cash basis;

The current $2 million turnover threshold will be retained for access to the small business CGT concessions and access to the unincorporated small business tax discount will be limited to entities with turnover less than $5 million.

PERSONAL TAX

PERSONAL TAX CUTS

The 32.5% personal income tax threshold will increase from $80,000 to $87,000 from 1 July 2016. The new tax rates from 1 July 2016 will be as follows:

Taxable income	Tax rate from 1 July 2016
$0 - $18,200	0%
$18,201 - $37,000	19%
$37,001 - $87,000	32.5%
$87,001 - $180,000	37%
$180,001 and over	45%

These tax rates exclude the Medicare Levy. They also exclude the 2% debt tax on high-income earners over $180,000 which will come to an end on 30 June 2017.

OTHER

ATO ANTI-AVOIDANCE TASKFORCE

A new anti-avoidance taskforce with $678 million of funding will undertake "enhanced compliance activities" targeting multinationals, large public and private groups and high wealth individuals.

This measure provides the ATO with a 55% increase in funding for compliance programs targeting multinationals and high wealth individuals, with a 43% increase in resources devoted to tackling multinationals (including ramping up to an additional 390 average staffing level per year).

Information sharing between the ATO and ASIC will also be improved.