Superannuation changes: How will they affect you?

Grimsey

With the new financial year now in full swing, at Grimsey we want to ensure our clients have the most up to date information. New legislation regarding Superannuation came into effective from 1st July 2015, along with some changes over the last 12 months in the Regulations and opportunities for your SMSF. To make understanding the information easier, we have taken the opportunity to summarise and explain the relevant differences which might affect you.

1. Concessional Contributions and Excess Contribution Tax

   If you are born on or before 30 June 1966, your Concessional Contributions cap (i.e. employer or personal deductible) is $35,000. For individuals born after this date your concessional contribution cap is restricted to $30,000.

   If your have exceeded the cap, the exceeded amount will be taxed at your individual marginal tax rate plus an interest charge (ECC charge). You will receive an election form from the Commissioner with the refund option to request 85% of the excess contributions to be refunded to yourself.

2. Non-Concessional Contributions and Excess NCC Tax

   Each individual can contribute up to $180,000 non-concessional (after-tax) contributions each year. If you are less than age 65, you can access the 3 years bring forward cap ($540,000). If you are over 65 years of age you are required to meet a work test of at least 40 hours gainful employment within a period of no more than 30 consecutive days to contribute.

   Effective from 1st July 2015, members will be given a refund option from the Commissioner to request a refund on the exceeded Non-concessional contributions but subject to interest charge (ECC Charge). Otherwise, the exceeded contributions will be taxed at an additional 46.5%.

3. Division 293 Contributions Tax

Division 293 Tax has been in effect since 1 July 2012. The high income earner (adjusted surcharge test income over $300,000) will be liable for additional 15% on low-tax contributions.

High income earners are still getting a tax concession of at least 19% (30% compared to the marginal rate of 49%). Recipients of these assessments still have the option to pay for the liability personally or from their super fund by completing a Voluntary Release Authority.

4. Pension

From 1st July 2015, you have to be at least age 56 (born before 1 July 1960) to commence a pension.

Any pension payment received by a member at or over the age of 60 is tax free, while those under 60 years of age must report the taxable component personally with a 15% offset applicable.

Each year you must withdraw the minimum pension payments to maintain Superannuation fund tax concessions status.

5. SMSF Trust Deed

You may wish to consider updating your trust deed at least every three years to ensure it incorporates the latest legislative developments.

As an example, a deed that has not been updated since 2011 may not allow for Division 293 Tax payment from a SMSF which only became law in 2012.

6. Beneficiary Nominations

Generally speaking superannuation interests will not form part of your estate. Members must give specific instruction to the trustee of the fund about the distribution of future death benefits.

There are a few types of Nominations available for SMSF's which include Non-Binding Nominations (no legal enforcement), Binding Nominations (lapse every 3 years) and Death Benefit Agreements.

You may need to consider external legal advice to determine which option is appropriate for you.

7. Life and TPD Insurance

From 1 July 2013 superannuation regulations included a new clause stating that trustees of the fund must consider the life and TPD insurance needs for their members, and that this form part of the fund's Investment Strategy to be reviewed each financial year.

From 1 July 2014 onwards, a superannuation fund must not provide own-occupation insurance cover for the member of the fund unless the insured event is consistent with the condition of release (i.e. death, terminal medical condition, permanent incapacity and temporary incapacity).

Please contact our Insurance Specialist to discuss appropriate insurance options.

8. Trustee Penalty Regime

Commencing from 01/07/2014, the Commissioner is empowered to direct trustees in breach of SIS Act Regulations to undertake education courses, rectify contraventions or otherwise face the prospect of penalties up to $10,800 per trustee in conjunction to other penalties applied to SMSF.

Please always discuss with your Financial Adviser or Accountant prior to implementing new strategies within your SMSF.

9. 2015 Compliance & Tax Returns

We are now ready to complete your SMSF 2015 Tax Return. Please always include any documents related to your SMSF for us to review to assist with the compliance process.

Please contact Wee Kho or Damian Reed from the SMSF Specialist team in our office on (03) 8341 8888 or email client.services@grimsey.com.au if you have any questions or we can help you further.