

# The 2016 Federal Budget



The 2016 Federal Budget has been handed down and there has been much discussion about the significant changes to tax and superannuation. Prior to Tuesday 3<sup>rd</sup> May 2016, there was a wide range of commentary on how tax concessions would be included and as expected, tax has played a key role in the Budget. Changes to be implemented include super tax concessions trimmed back, contribution caps reduced, and limits on tax-free pension assets introduced. While these changes appear to moderate the benefits of personal contributions to superannuation, for the most part super still remains a tax effective option to manage your wealth portfolio. Superannuation contribution changes are only one aspect of how the budget will affect you and your financial situation. For this reason, the Grimsey team have put together a summary of the key points from the Federal Budget for 2016.

## Superannuation

Effective from 1<sup>st</sup> July 2017

- Concessional pre-tax contributions cap reduced to \$25,000 p.a. where currently it is \$30,000/35,000
- 30% contributions tax to apply for income above \$250,000 p.a. where currently it is \$300,000
- Launch of a pension balance cap of \$1.6m which can be moved into tax-free retirement phase
- Low income super tax offset. This means minor positive changes for low income earners below \$37,000 p.a.
- Improved tax concessions for contributing to a low income spouse which will increase from \$10,800 to \$37,000
- Contribution rules opened up for those aged 65-74
- Transition to retirement tax exemption removed (currently applied to pension assets for those aged 56-65)
- Addition of changes to provide flexibility for those taking time out of the workforce, including catch up concessional contributions up to 5 years
- Tax exemption on earnings extended to deferred annuity style products

## Superannuation

Effective from 3<sup>rd</sup> May 2016

- Lifetime non-concessional contribution cap of \$500,000 where previously \$540,000 available every 3 years
- Non-concessional cap to include non-concession contributions made from 1<sup>st</sup> July 2007 (while not causing an excess where already over \$500k)

### **Income tax**

- Middle income bracket increased from \$80,000 to \$87,000 (from July 2016)

### **Small business tax**

- Reduced to 27.5% from 28.5% (from July 2016)
- Small business threshold (turnover) increased from \$2m to \$10m p.a.
- Opens small business concessions to ~870,000 businesses
- Provides a 2.5% tax cut for business between \$2m and \$10m revenue
- Further reductions in small business tax rate planned through to 2026/27, reducing to 25%

The majority of changes announced in the Budget are effective from 1<sup>st</sup> July 2017. This lead time allows you to assess the impact of the changes and to talk to your financial adviser about how to best to set up your portfolio. Our team of specialist can assist you with this task. Talk to Grimsey today to arrange your complimentary consultation on **(03) 8341 8888**.