

EmployerNews | WINTER16



Keeping electrical and communication contractors informed about your Fund and what's happening in superannuation.

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2016 Federal Budget – Superannuation Update

NESS Super is pleased to provide you with an overview of the 2016 Federal Budget.

A number of key superannuation changes were announced in the recent Federal Budget, making this a very significant Budget for superannuation.

New measures will see low income earners continue to receive an important tax offset, while those earning over \$250,000 will pay a higher rate of tax on their super contributions.

In a bid to limit the amount of super you can contribute over a lifetime, the Government has also announced a \$1.6 million cap for transfers to pension accounts.

The Government has estimated that higher contribution taxes, together with limits to amounts you can contribute to super, will affect about 4 per cent of Australians.

These measures have different starting dates, some are effective immediately, others next year and some retrospectively.

Below is a summary of the key changes. To find out more about each of the key changes, visit www.budget.gov.au and follow the links in the "Tax and Super" section and the "Superannuation Reforms Fact Sheets" released by the Federal Government.

► Low income tax offset retained

A tax offset that provides a super savings boost of up to \$500 a year for those earning up to \$37,000 has been retained.

The Low Income Superannuation Tax Offset will replace the existing Low Income Superannuation Contribution (LISC) from 1 July 2017. The LISC was previously scheduled to expire on 30 June 2017.

► New contribution cap of \$25,000 for all

From 1 July, 2017, the annual concessional contributions cap of \$30,000 for those aged under 50 - or \$35,000 for those over 50 - has been lowered to \$25,000 for all individuals. The cap will index in line with wages growth.

► New lifetime non-concessional cap of \$500,000

Effective from Budget night (May 3, 2016), a \$500,000 lifetime cap on non-concessional contributions will apply for all individuals aged up to 75. This will apply retrospectively by taking into account all non-concessional contributions made since 1 July 2007. The cap will be indexed in \$50,000 increments in line with wages. If an individual has exceeded the cap prior to commencement, they will be taken to have used up their lifetime cap but will not be required to take the excess out of the superannuation system. This measure relates to non-concessional (after-tax) contributions NOT concessional contributions.

► New \$1.6 million cap on money you can put into retirement phase

From 1 July, 2017 the Government will introduce a \$1.6 million cap on the total amount of superannuation savings that can be transferred from a concessional-tax 'accumulation account' to a tax-free 'retirement account'. Superannuation savings accumulated in excess of the cap can remain in an accumulation superannuation account, where the earnings will be taxed at 15 per cent. Those individuals already in retirement as at 1 July 2017 with balances in excess of \$1.6 million will need to either transfer the excess back into an accumulation superannuation account; or withdraw the excess amount from their superannuation. Individuals who think they may be affected by this new measures should consider seeking financial advice.

► New catch-up measure for those with balances of \$500,000 or less

From July 1, 2017, people with superannuation balances of \$500,000 or less will be able to rollover their unused concessional cap amounts (now set annually at \$25,000) for a period of five years. This measure - which means that those who qualify can make larger super contributions than \$25,000 in some years, where they have "unused caps" over the five year period - has been designed to provide more flexibility for those who can make extra contributions and assist those returning to the workforce.

► Changes to Transition to Retirement (TTR)

Effective 1 July 2017, the tax exempt status of income from assets supporting transition to retirement income streams will be removed, meaning that the earnings tax in TTR pensions will be 15%. This change will apply irrespective of when the transition to retirement income stream commenced. Individuals will no longer be allowed to treat certain superannuation income stream payments as lump sums for tax minimisation purposes.

► 30% concessional contribution tax for those with incomes of \$250,000 or more

Individuals with incomes over \$250,000 will now be required to pay an additional 15% tax on their super contributions. The threshold was previously \$300,000. To be liable for a total of 30 per cent tax, a person would need to have at least \$250,000 in combined income and concessional superannuation contributions. In 2017/18, approximately 1% of fund members are expected to pay Division 293 taxation. This change will also be reflected in defined benefit schemes.

► More people able to claim super tax deduction on voluntary contributions

From July 1 2017, anyone under 75 will be able to claim an income tax deduction for personal superannuation contributions to an eligible fund, up to the new \$25,000 concessional contribution cap. Previously, many self-employed people were unable to claim a deduction on their personal superannuation contributions, and not everyone has access to salary sacrificing arrangements. These amounts will count towards the individual's concessional contributions cap, and be subject to 15 per cent contributions tax.

► Extension of the spouse tax offset

From 1 July 2017, the eligibility rules for claiming the tax offset for superannuation contributions partners make to their low income spouses will be extended. The current 18 per cent tax offset of up to \$540 will be available for any individual, whether married or de facto, contributing to a recipient spouse whose income is up to \$37,000. This is an increase from the current \$10,800. As is currently the case, the offset is gradually reduced for income above this level and completely phases out at income above \$40,000. Individuals will be able to make contributions on behalf of their spouse who is under age 75.

Please note that these announcements are yet to be legislated.



To find out more about the 2016 Federal Budget announcements or how NESS Super can help you and your business, please contact us on **1800 022 067** or **Mynas Leontios, NESS Super's service representative on 0448 432 443** or email at mynasl@neca.asn.au. At NESS Super, we're here to help...

The Government's SuperStream deadline for small employers is just around the corner!

NESS Super has your cost-free solution...

The Australian Taxation Office is continuing to contact and remind small employers of their requirements and the timeframe in order to meet the SuperStream requirements, which commenced from 1 July 2014 and will eventually require all employers to make super payments and send the applicable payment data electronically. As a reminder:

- ▶ **Smaller employers (having 19 or less employees)** must have the new requirements in place by **1 July 2016**.
- ▶ **Medium to large employers (having 20 or more employees)** must now have the new requirements in place, as of 31 October 2015 (extended from 1 July 2015).

So don't forget, if you are a small employer (having 19 or less employees) and have not already commenced your SuperStream implementation, it is super important to prepare now to ensure you are able to **comply and meet the upcoming requirements by 1 July 2016**.

NESS Super can help participating employers with the SCH Online "clearing house" solution at NO COST TO EMPLOYERS. Existing NESS Super employers who use SCH Online, also enjoy a NO COST service from 1 January 2016, with NESS Super paying the applicable SCH Online fees on behalf of participating employers.

SCH Online is available now and allows NESS Super participating employers the ability to make payments to multiple per funds (in addition to NESS Super) from a single secure website and is an integrated enhancement of NESS Super's "EmployerAccess" online payment facility. It's an efficient and easy way to take the stress out of paying into multiple super funds.

It's super easy to register for SCH Online...

Existing NESS Super participating employers who are registered and using EmployerAccess to pay super to NESS Super, can simply click on the SCH Online pop-up that appears next time you login to EmployerAccess, in order to register and access the SCH Online facility.



If you're a participating NESS Super employer and haven't yet registered for EmployerAccess, simply go to www.nesssuper.com.au and click on EmployerAccess section at the top of the page and then click Register for EmployerAccess to register for EmployerAccess and SCH Online.

REMINDER: Don't forget the Super Contributions Cap!



Whilst the superannuation contributions cap affects employees based on individual circumstances (and with the end of financial year is just around the corner), it is prudent to be aware from an employer's perspective what contributions cap applies to employer super contributions (especially when salary sacrifice contributions are also involved), so as to assist your employees keep an eye on their contributions cap leading into the end of the financial year. This can help your employees avoid paying any additional tax on contributions that exceed the cap.

The concessional contribution caps (including SG, salary sacrifice and employer additional contributions) for the 2015/16 financial year are as follows:

- ▶ **General cap - \$30,000.**
- ▶ **Individuals aged 50 and over - \$35,000.**





Don't forget to update your details and receive our future EmployerNews via email...



It is important to ensure that your business email address with NESS Super is up-to-date, as we have commenced sending our regular communication electronically. You'll be able to stay in touch and receive future communication electronically.

Reducing the amount of printed material not only keeps printing costs down (which means more money goes to NESS Super members' accounts), but also helps save the environment.

So, if your business email has changed or you haven't updated it recently, please login to EmployerAccess on the NESS Super website www.nesssuper.com.au and update your email address online. Alternatively, please contact us on 1800 022 067.

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Contact us if you want to know more about any of the topics in this newsletter

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