CTBS CONFIDENTIAL Tax & Business SERVICES

The ins and outs of Super

As the end of the financial year approaches there are many potential tax issues to consider regarding your superannuation. This handout may assist with some of the more common issues facing super fund members.

Getting money into super

Who Can Contribute

Under 65 years of age
All contributions can be accepted

Age 65 – 74
The member must meet the Work Test* before making any personal contributions

Age 75 and over
Only employer mandated super contributions, or similar arrangements, may be accepted

*The Work Test requires a person to work at least 40 hours within a 30 day period.

2015 and 2016 Contribution Caps

Concessional Contributions

Year ended 30 June 2015		Year ended 30 June 2016	
Under 49 years	$30,000.00	Under 49 years	$30,000.00
49 at 30 June 2014	$35,000.00	49 at 30 June 2014	$35,000.00

Non-Concessional Contributions

Year ended 30 June 2015		Year ended 30 June 2016	
All ages	$180,000.00*	All Ages	$180,000.00*

*Note that members under the age of 65 can contribute up to three times the maximum non-concessional contribution cap, bringing forward two years of contribution. E.g. a 50 year old could contribute $180,000 in the 2015 financial year and $540,000 in the 2016 year and no further contributions for the 2017 and 2018 financial years.

Concessional Contributions

Concessional contributions are taxed at 15% within super and are generally deductible to the entity paying the contribution. While most salary earners currently receive 9.5% in superannuation guarantee contributions, the amount rarely comes close to the concessional contribution cap available for a member, as detailed in the above table. Members are able to salary sacrifice part/all of a wage to increase the total concessional contribution to a member’s fund. Alternatively, if 10% or more of a member’s total income is from employment-related activities, carrying on a business or a combination of both, a personal contribution may be made and a deduction claimed in a member’s Individual Tax Return.

Non-concessional Contributions

These contributions are made from after tax income and no tax deduction is claimed by the entity making the contribution. The contributions are also not taxed within the fund. These contributions make up the tax free proportion of a member’s account balance.

CGT Small Business Concessions

Small business owners have potential concessions available to reduce any capital gain arising from the sale of an active asset by contributing the capital gain and proceeds to super. An active asset is an asset which is used, or available for use, in carrying on a business such as buildings and goodwill. These contributions count towards the CGT Contribution Cap and the business must meet the criteria set out by the Australian Taxation Office. The small business retirement exemption has a lifetime limit of $500,000 while the 15 year small business exemption has a cap of $1,315,000 for the 2014 financial year and $1,355,000 for the 2015 financial year. This cap is indexed annually. Any amount contributed to a super fund in excess of the CGT concession amount is treated as a non-concessional contribution for the member.

Accessing your super

It is important to remember that a person cannot access a superannuation benefit unless they meet a condition of release, the most common of which is reaching preservation age. If you are closing in on age 55 it is important to note that the preservation age is incrementally rising to 60 starting at 1 July 2015. A full condition of release occurs where a member attains age 65 or has reached preservation age, retires and does not intend to be gainfully employed ever again.

A condition of release may also be met in limited circumstance including severe financial hardship, terminal medical condition or permanent ill health, death and on termination of employment where the balance of the member's super account is less than $200.

Transition to Retirement Income Stream (TRIS)

A TRIS is an income stream that may be commenced once a member reaches preservation age, before retirement. A member must draw a minimum, i.e. 4% for someone between age 55 and 64, of the TRIS balance at commencement and can withdraw up to a maximum of 10%. If the TRIS commenced in a prior year the amount is calculated on the balance at 1 July of the year it relates to.

Account-Based Pension (ABP)

An ABP works in the same way as a TRIS however the member may take up to 100% of the member balance. The member must be retired and have met a full condition of release if under age 65.

Age 55 to 59

A member between the age of 55 and 59 who commences a pension or income stream will be taxed on the taxable proportion of the member balance in their personal return, less a 15% rebate. The fund is required to withhold tax on withdrawals and report amounts to the ATO quarterly.

Lump Sums

A member may choose to make a withdrawal in the form of a lump sum if they have unrestricted non-preserved benefits or are fully retired. It is important to note that the taxable proportion of a lump sum withdrawal for a member under 60 is taxed in the member's personal return. A tax offset is available of up to $185,000 per person for the 2015 financial year and $195,000 per person for the 2016 financial year, also known as the low rate cap, which is indexed annually.

Minimum Pension Entitlements

Age	Minimum %
Under 65	4%
65 – 74	5%
75 – 79	6%
80 – 84	7%
85 – 89	9%
90 – 94	11%
95 and over	14%

Note that the maximum pension for a Transition to Retirement Income Stream (TRIS) is 10% of the member balance while an Account Based Income Stream has a maximum of 100%.

Preservation Age

Date of Birth	Preservation Age
Before 1 July 1960	55
1 July 1960 to 30 June 1961	56
1 July 1961 to 30 June 1962	57
1 July 1962 to 30 June 1963	58
1 July 1963 to 30 June 1964	59
On or after 1 July 1964	60

Contact a member of our self-managed super team if you would like more information

Lvl 1, 449 Gympie Road, Kedron Qld 4031| PO Box 324, Chermside South Qld 4032

PH: 07 3267 2111 | Fax: 07 3267 2122 | Email: info@ctbs.net.au