END OF FINANCIAL YEAR PLANNING.

With 30 June just around the corner it's important to take time out to get your financial affairs in order. We've put together some of the items that should be high on your list.

Concessional contributions (pre-tax)

The annual concessional cap was reduced to $25,000, for everyone, from 1 July 2017. Concessional contributions include employer contributions, salary sacrifice and personal contributions you claim as a personal deduction.

High income earners, individuals earning $250,000 or more, will pay an additional 15%, on top of the standard 15% contributions tax.

Non-concessional contributions (post-tax)

The annual limit for non-concessional contributions is $100,000, if your total superannuation balance is below $1.6 million, as at 30 June 2017.

The 'bring forward' rule, contributing three years' worth of non-concessional contributions ($300,000) in one year, is available to eligible members provided they have not triggered the 'bring forward' rule in the past two financial years and their total superannuation balance was less than $1.4 million, as at 30 June 2017.

Individuals with a member balance between $1.4 million and $1.5 million may be able to utilise part of the 'bring forward' rule.

The work test is still a requirement for anyone over age 65 wishing to contribute to superannuation. To satisfy the work test you must be gainfully employed for at least 40 hours during a consecutive 30-day period during the financial year in which the contribution is made, prior to the contribution being made.

Capital Gains Tax (CGT) Relief

The CGT relief was introduced to allow SMSF trustees to reset the cost base where members of the fund were affected by the $1.6 million pension transfer cap or the removal of the tax-exempt status of Transition to Retirement Pensions. The CGT relief allows a fund to make an irrevocable election on an asset by asset basis to reset the original cost base to the specific market value. Electing to reset the cost base results in the asset(s) to be sold and re-purchased, without actually having to physically sell the assets. Consequently, any future capital gains tax will be calculated from the new cost price.

Importantly, if the fund was not in full pension mode during 2016/17 financial year, a portion of the capital gain will be subject to tax. This capital gains tax can be paid at the time of lodgement of the 2016/17 financial year financials or deferred to when the asset is physically sold.

The deadline for Trustees of SMSF's to elect to take up the relief and preferred method of payment for the 2016/17 financial year is 2 July 2018.

Superannuation pension payments

Pension payments and minimum and maximum limits should be reviewed. It is vital that accurate figures are obtained for each member as penalties may be imposed for over or under payment.

Anyone planning to draw their pension and re-contribute it back into superannuation as a non-concessional contribution should review their non-concessional limit to ensure there is scope for further contributions. If there isn't, the suitability of a superannuation pension strategy may be reduced. Potential future contributions should also be considered e.g. inheritance, home downsize etc.

Superannuation contribution splitting

The $1.6million pension transfer cap on funds in the tax-free pension phase has made it more important than ever for couples to maintain even account balances. Superannuation splitting allows a member with a higher account balance to transfer up to 85% of their concessional contributions to their spouse (the 15% contributions tax is deducted before splitting).

The receiving spouse must be less than their preservation age or aged between their preservation age and 65 and not retired. The splitting application should be completed in the financial year immediately after the financial year in which the contribution was made or in the same financial year if the account is being closed.

Government co-contribution

Anyone with an adjusted taxable income of less than $51,813 can take advantage of the government co-contribution, however the maximum benefit of $500 begins to taper down when their taxable income exceeds $36,813.

The government co-contribution is not available to individuals who exceed the non-concessional contribution cap or the total superannuation balance cap of $1.6 million.

Spouse Contribution

If an individual has an assessable income of less than $40,000 then their spouse is able to make a non-concessional contribution on their behalf and claim a tax-offset. The maximum offset is $540 where your spouses' assessable income is $37,000 or less.

The offset reduces as the receiving spouse's assessable income increases above $37,000 and phased out at $40,000.

POST 30 JUNE 2018

First home buyers

From 1 July 2017, first home buyers were able to make voluntary superannuation contributions to use towards a deposit for their first home under the First Home Super Saver Scheme. Voluntary contributions and associated earnings made under this scheme can be accessed from 1 July 2018, subject to meeting the eligible criteria. Total contributions are capped at $15,000 a year and $30,000 in total.

Downsizer contributions

From 1 July 2018, individuals age 65 and over will be able to make a one off non-concessional contribution of up to $300,000, from the proceeds of selling their home. Each member of a couple can access the scheme allowing a couple to potentially contribute up to $600,000 combined. Contributions under this scheme will not count towards the non-concessional contribution caps or be affected by the total superannuation balance test.

Catch up concessional contributions

From 1 July 2018, individuals with a superannuation balance of less than $500,000, as at 30 June the previous year, will be able to carry forward their unused concessional contribution cap from the previous year for a rolling five year period.

The commencement date for the catch up contributions is 1 July 2018 therefore, any unused concessional caps that precedes this date is disregarded. In effect the start date for additional contributions will be 1 July 2019 and onwards.

If you would like to discuss any of these strategies further please contact your Bell Potter adviser.

Regards

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