

StatePlus Retirement Fund

Important Changes



Formerly State Super Financial Services

New super rules

Changes to the superannuation and pension system that came into effect on 1 July 2017 have imposed some new limits and opened up some new possibilities. Here are the changes that you need to know about.

New caps on contributions

Concessional cap now \$25,000

As of 1 July 2017 the concessional contributions cap went down to \$25,000 for everyone. This cap will be indexed annually in line with Average Weekly Ordinary Time Earnings, in increments of \$2,500 (rounded down).

Furthermore, commencing 1 July 2018, individuals with a total superannuation balance under \$500,000 on 30 June of the previous financial year can carry forward any unused concessional contribution cap amounts on a rolling five-year basis. So, the first year you could make carry forward concessional contributions over the general cap is the 2019/20 financial year.

Non-concessional cap now \$100,000

The maximum amount you can contribute in after-tax money has also gone down, from \$180,000 to \$100,000. In addition, individuals with a total superannuation balance of equal to or greater than \$1.6 million (as at 30 June of the preceding financial year) will have a non-concessional contributions cap of nil, which means they won't be eligible to make non-concessional contributions without exceeding their non-concessional contributions cap. However, you can continue to make concessional contributions, subject to the concessional contribution limit of \$25,000 p.a.

The above is not to be confused with the \$1.6 million transfer balance cap rule (see 'Transfer balance cap of \$1.6 million' below).

There are also new restrictions on using the bring forward provisions if your total superannuation balance is above \$1.4 million. The bring forward provisions allow you to bring forward the next two years' worth of the non-concessional contributions cap so you can make a total of \$300,000 in non-concessional contributions into super over three years.

The table below illustrates the new bring forward provisions effective 1 July 2017:

Total superannuation balance on 30 June 2017	Age	Bring forward period	Non- concessional contribution cap
Less than \$1.4 million	Age 64 or under on 1 July 2017	3 years	\$300,000
\$1.4 million to less than \$1.5 million	Age 64 or under on 1 July 2017	2 years	\$200,000
\$1.5 million to less than \$1.6 million	Age 64 or under on 1 July 2017	No bring forward period, general non concessional contributions cap applies	\$100,000
Less than \$1.6 million	Age 65 or over on 1 July 2017	No bring forward period, general non concessional contributions cap applies	\$100,000
\$1.6 million or more	Any age	Nil	Nil

Please note: If you have triggered the bring-forward period in the 2015–16 or 2016–17 financial year but you have not fully used your bring-forward amount before 1 July 2017, transitional arrangements will apply. This means that the maximum amount of bring forward available will reflect the reduced annual contribution caps. Go to ato.gov.au for more information.

Amounts from the disposal of certain small business assets paid as after-tax contributions are excluded from the non-concessional contributions cap up to a lifetime limit, called the CGT Cap. The CGT Cap is indexed in line with AWOTE (in increments of \$5,000, rounded down) and is \$1,445,000 for the 2017/18 financial year. Please see your financial planner for further details on the 'CGT Cap'.

Transfer balance cap of \$1.6 million

The term 'transfer balance cap' means the amount you can transfer into *retirement phase accounts*. There's no limit on the amount of money you can have in your accumulation super accounts. However as mentioned above, there are now tighter restrictions on making contributions to boost your super.

As of 1 July 2017, the maximum amount you can transfer into eligible *retirement phase income stream accounts* in your lifetime is \$1.6 million. This is called the transfer balance cap and will be indexed periodically in increments of \$100,000 in line with inflation. The cap applies to the total amount of superannuation that you have transferred into the retirement phase, across all income stream accounts from all providers you hold these amounts in. The transfer balance cap is maintained by the ATO (which will manage a transfer balance account for each individual who transfers a superannuation benefit into an eligible retirement phase income stream product) and from now on all superannuation funds are obligated to report relevant information on retirement phase accounts to the ATO.

When you transfer a benefit into a retirement phase income stream account the ATO will add this amount to your transfer balance account. If you make an eligible withdrawal or commutation the ATO will subtract this amount from transfer balance account. Pension payments do not impact your transfer balance account. The cap does not apply to any subsequent growth or losses in your income stream account. Transition to retirement income streams will not count towards the cap.

If you have not triggered a credit (increase) in your transfer balance account, you will benefit from the full increase of any indexation of the cap. If you have commenced a retirement phase income stream but have not

fully utilised the cap, any indexation will be applied only to the proportion of your unused transfer balance cap. Indexation is not available for those who have completely utilised their transfer balance cap.

Once your transfer balance account reaches the transfer balance cap, you are no longer eligible to transfer superannuation benefits into retirement income stream accounts (unless one or more debits (decreases) are triggered in your transfer balance account, causing your transfer balance to fall below the transfer balance cap). If you exceed the transfer balance cap, the ATO will instruct you to withdraw the excess amount, including notional earnings on the excess, from one of your retirement phase income stream accounts. Any excess amount (including notional earnings) will need to either be withdrawn and paid to you directly or transferred into a superannuation accumulation account, where earnings are taxed at up to 15%. Additionally you will be liable to pay additional tax on this excess amount (including notional earnings).

Transitional arrangements apply for existing income stream account holders.

Claiming voluntary contributions as a tax deduction

From 1 July 2017, personal super contributions made from your after-tax salary can generally be claimed as a tax deduction. If you're aged 65 to 74, you'll still need to satisfy the annual work test to be eligible to claim a tax deduction on your personal contributions. These contributions count towards your \$25,000 concessional cap though, so while this makes personal contributions more tax-effective, you won't be able to claim any amounts that take you over a total annual contribution of \$25,000.

For example, Jane's employer contributes \$15,000 in super guarantee contributions, and she salary-sacrifices another \$8,000. This puts her concessional contribution total at \$23,000. Jane makes a personal contribution of \$5,000 moving the total to \$28,000. She can only claim \$2,000 of her personal contribution as a tax-deduction, to bring her up to her \$25,000 cap.

Spouse contributions and tax offset

The new super rules that came into effect on 1 July 2017 changed the thresholds concerning your spouse's annual income in order for you to receive a tax offset for any contributions you make to your spouse's super. The tax offset is 18% of the amount of the contribution, subject to the thresholds and rules described below.

If your spouse's annual income is \$37,000 or less, the offset will apply to all spouse contributions, up to \$3,000. This means the maximum offset you can receive in a year is \$540 (18% x \$3,000). For every \$1 that your spouse's income exceeds \$37,000, the \$3,000 cap is reduced by \$1. The tax offset cuts off when your spouse's income reaches \$40,000.

In addition, from 1 July 2017, the tax offset will not be available if the spouse receiving the contribution exceeds the non-concessional contributions cap or has a total super balance greater than \$1.6million (indexed).

The increased threshold has made this tax offset available to a lot more people, so take a moment to check whether you can now take advantage of spouse contributions.

Low Income Superannuation Tax Offset

What was previously known as the Low Income Superannuation Contribution has been replaced with the Low Income Superannuation Tax Offset (**LISTO**). For eligible individuals with an adjusted taxable income up to \$37,000, the Federal Government will refund into your superannuation account the tax paid on concessional contributions up to a cap of \$500. The ATO will determine whether you are eligible to receive a LISTO payment and will deposit the payment directly into your account. To find out more about the LISTO, ask your financial planner or go to www.ato.gov.au.

Changes to tax on contributions for high income earners

The income and contribution threshold attracting additional tax for high income earners has been reduced to \$250,000. Essentially, if your income and certain contributions exceed \$250,000 per annum in a financial year, you will be liable for an additional 15% tax on the lesser of the excess over \$250,000 and the contributions.

Removal of Anti-Detriment Payments

From 1 July 2017, anti-detriment payments can no longer be paid in relation to a member who dies on or after 1 July 2017.

Anti-detriment may still be paid in relation to a member who died on or before 30 June 2017, but only if the anti-detriment payment is paid on or before 30 June 2019. No anti-detriment payments can be paid on or after 1 July 2019, regardless of the date of the member's death.

Closure of TRIS

Effective 30 June 2017, the transition to retirement income stream product was closed and is no longer available to members.

*The information in this notice is general information only and doesn't take into account your financial situation or needs. You may wish to consult your financial planner to obtain financial advice, and you should read the applicable product disclosure statement for the StatePlus Personal Retirement Plan, StatePlus Allocated Pension Fund, StatePlus Flexible Income Plan or StatePlus Tailored Super Plan (the '**Products**'), before making any decisions concerning the Products.*

A paper or electronic copy of the product disclosure statement for any of the Products, their Booklets and any updated information concerning any of the Products (including this notice) may be obtained without charge from your financial planner or by calling 1800 620 305.

Dated 7 August 2017