

Changes to non-concessional contributions

November 2016

Non-concessional contributions are those contributions to superannuation made with after tax money. These generally include personal after tax contributions made by you or your spouse.

What are the changes?

- › Introduction of an annual non-concessional contribution cap of \$100,000 from 1 July 2017.
- › Limiting non-concessional contributions to individuals with superannuation balances below \$1.6m from 1 July 2017.
- › Retaining the existing annual non-concessional cap and bring forward provisions for the 2016/17 financial year.

Introduction of an annual non-concessional contribution cap of \$100,000 from 1 July 2017

Currently the non-concessional contribution cap is \$180,000 per financial year. Where an individual is 64 or less on 1 July, they have the ability to bring forward up to two years worth of non-concessional contributions into the current financial year and potentially contribute up to \$540,000 this financial year.

From 1 July 2017, a new non-concessional contribution cap of \$100,000 will apply. An individual who is 64 or less on 1 July will still be able to bring forward up to two years worth of non-concessional contributions, however the total amount they could bring forward will be reduced to \$300,000.

The Government has announced that transitional bring forward provisions will apply to individuals who have contributed more than their non-concessional cap of \$180,000 in either the 2015-16 or 2016-17 financial years, but have not utilised their entire \$540,000 non-concessional cap.

If you are in this position, it's important you seek advice to ensure any contributions you choose to make don't breach your cap.

CASE STUDY

Amanda's superannuation balance is \$400,000. After selling her investment property she chooses to make a non-concessional contribution to super of \$150,000 in August 2017.

As Amanda has triggered the bring forward, she could make further non-concessional contributions of \$150,000 over the 2018-19 and 2019-20 financial years.

In 2020-21 her non-concessional cap would reset after which she could make further contributions.

Limiting non-concessional contributions to individuals with superannuation balances below \$1.6m from 1 July 2017

From 1 July 2017, when an individual's total superannuation balance is \$1.6 million or above they will no longer be eligible to make non-concessional contributions to superannuation.

In addition, individuals with balances close to \$1.6 million will only be able to bring forward the annual non-concessional cap amount for the number of years that would take their balance to \$1.6 million.

Retaining the existing annual non-concessional cap and bring forward provisions for the 2016/17 financial year

Individuals can continue to make non-concessional contributions of \$180,000 in the 2016-17 financial year, or up to \$540,000 where eligible under the current bring forward rules.

It is important that you seek advice to determine how best to make use of the higher concessional cap before the new measures commence on 1 July 2017.

CASE STUDY

Benjamin has a superannuation balance of \$1.45 million as at 30 June 2017. For the 2017-18 financial year he would only be able to bring forward two years worth of concessional contributions, or \$200,000.

CASE STUDY

Frank is 57 and has recently inherited a sum of \$600,000 from his late aunts estate.

Frank has not previously triggered the bring forward in 2014-15 or 2015-16, so chooses to make a \$540,000 non-concessional contribution in May 2017.

As Frank has fully used his bring forward amount he is unable to make additional non-concessional contributions until his contribution cap resets in 2019-20.

Summary

To ensure you get the right advice for your situation you should consult your financial adviser.



Things you should know

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16696B-0317tc