Year End Superannuation Planning Guide for 2016

We are pleased to provide our year end superannuation planning guide for 2016. This Guide will be useful for employers paying SGC and individuals considering superannuation contributions and income streams.

2016 presents some unique challenges due to significant tax and superannuation changes announced in the 2016-2017 Federal Budget.

The statements contained in this Guide are of a general nature only and we recommend that you contact your usual Hanrick Curran advisor or our Superannuation partner, Clive Todd to assist you with your own specific superannuation planning requirements.

Concessional Contribution Caps

Concessional contributions include employer contributions and personal contributions that are claimed as a tax deduction. The concessional contribution cap for 2015/16 is $30,000.

However, for 2015/2016, individuals who turn age 50 during the financial year are eligible for a higher concessional contribution cap of $35,000. If you were aged 49 or over on 30 June 2015, you are eligible for this higher cap, regardless of when you actually turn 50 during the financial year.

The applicable contribution cap includes compulsory Superannuation Guarantee contributions of 9.50%.

Non-Concessional Contributions

Non-concessional contributions (NCC) are personal superannuation contributions for which no tax deduction is claimed. They are not subject to contributions tax when contributed to a fund, or when withdrawn from a fund.

The NCC cap for 2015/16 was $180,000 per person but as announced in the Federal Budget on 3 May 2016, a lifetime cap of $500,000 now applies to NCC. This cap includes all NCC made since 1 July 2007. Therefore it is important, prior to making any NCC, to check what previous contributions have been made to ensure this cap is not exceeded.

Salary Sacrifice Arrangements

Concessional contributions on behalf of employees and directors are tax deductible.

There is actually no limit on how much contributions are tax deductible to an employer, however if the employee's personal concessional cap is exceeded they may face adverse personal tax consequences.

Employees with salary sacrifice agreements in place for additional superannuation contributions are ultimately responsible for ensuring their cap is not exceeded.

Contribution Deductions

Only contributions that are received by a complying superannuation fund by 30 June 2016 on behalf of individuals are tax deductible in the 2016 year.

Note however that the Australian Taxation Office (ATO) have ruled in Tax Ruling TR 2010/1 that electronic payment of contributions are not considered paid until they reach the receiving fund's bank account, not when the transfer is processed.

We suggest that any contributions you plan to make and claim a tax deduction for are made well before 30 June 2016.

You will only be entitled to a personal tax deduction for superannuation contributions where less than 10% of your assessable income is from the sum of:

> **Salary/wages + RESCs* + Reportable Fringe Benefits**
>
> **AND**
>
> **You have advised your superannuation fund in writing of the deduction you are claiming and received a written response from the fund.**

Personal deductions for superannuation contributions are generally only available to those who do not have employment income, i.e. are self-employed or have other non-employment related income.

Superannuation Guarantee

Remember that all employees' Superannuation Guarantee (SG) entitlements must be paid to a superannuation fund by the 28th day of the month following each quarter to avoid Superannuation Guarantee Charge (SGC) implications (including penalties and loss of tax deductions). SG is payable for all employees who are aged over 18 and are paid $450 (before tax) a month.

For employers who usually pay the compulsory 9.50% contributions after the end of the quarter, June quarter contributions paid in July are not tax deductible in 2015/2016, but will be in the following financial year.

If your business requires additional tax deductions in 2015/2016, you may decide to pay June quarter SG contributions early, prior to 30 June 2016.

Note that accelerating your regular payment terms in this way may have an adverse effect on employees with salary sacrifice arrangements in place who are budgeting to remain within their concessional contribution cap in 2015/2016.

Contributions and Satisfying the "Work Test"

Once over age 65 you must satisfy a work-force participation test in order to be eligible to contribute either concessional or non-concessional contributions to a superannuation fund.

For the 2015/16 financial year you can only make contributions to your fund provided that you are able to substantiate employment or self-employment of at least 40 hours in 30 consecutive days at any time during the financial year before you make the contribution.

No additional contributions can be made once you have reached age 75, aside from limited circumstances where you receive employer superannuation guarantee (SG) payments or under an industrial award or agreement.

Reportable Fringe Benefits & Superannuation Contributions

When preparing PAYG Payment Summaries for employees, ensure that you disclose:

- Fringe Benefits; and
- Reportable Employer Superannuation Contributions (RESCs)

Failure to correctly report these items can result in ATO penalties for the employer.

Reportable Employer Superannuation Contributions* (RESCs)

RESCs must be shown on an employee's PAYG Payment Summary for 2015/2016.

Include all salary sacrifice superannuation contributions which an employee has negotiated to be withheld from their gross "pre-tax" salary.

Exclude the compulsory 9.50% Superannuation Guarantee (SG) amount from RESCs.

Include contributions by directors of companies who have superannuation paid on their behalf, but only the amount over and above 9.50% of their salary.

Ensure that if an employee or director sacrifices 100% of their salary as superannuation contributions, they must still receive a PAYG Payment Summary showing the RESC amount even though no salary may have been paid or PAYG withheld during the year.

SuperStream

All employers must now comply with SuperStream requirements.

Under SuperStream, employers are required to make super contributions on behalf of their employees by submitting data and payments electronically in a single transaction.

For those businesses who are yet to adopt SuperStream it is important that you act quickly to ensure you have enough time to collect employee data and enter it into your system to ensure you are compliant by the implementation deadline of 30 June 2016.

Superannuation Co-Contribution

If you have made a voluntary after-tax contribution, you may be eligible to receive a co-contribution from the Government if you are less than 71 years of age and earn less than $50,454.

The amount received is 50% of every $1 contributed up to a maximum of $500. The amount gradually reduces for incomes over $34,454 until phases out completely at $50,454.

Spouse Contribution

If your spouse has an adjusted taxable income of less than $13,800 pa and you make a non-concessional contribution of up to $3,000 to his/her superannuation fund, a tax offset of 18% is available. Note that these contributions count towards their non-concessional contribution cap.

Minimum Pension Drawings

If you are drawing a pension or transition to retirement income stream from your superannuation fund, you must withdraw the minimum required pension amount before Thursday, 30 June 2016. This will ensure that the earnings on your investments supporting the income stream remain tax free.

SELF MANAGED SUPERANNUATION FUNDS (SMSFS)

Leasing to related business

Where your SMSF is leasing premises to your business, ensure that all rent has been paid up to date and on an arms length basis. If the lease contains a rental review clause, this may also need to be addressed.

Artwork and Collectables

Self managed superannuation funds are allowed to own collectables and personal use assets, such as artworks, jewellery, coins, antiques and memorabilia; however the investment must be for genuine retirement purposes and not provide any present day benefit to the members. There are a number of rules in relation to these assets:

- They cannot be leased to or used by a related party of the fund;
- They must not be stored or displayed at the private residence of any related party of the fund;
- Trustees are required to make a written record of the reasons for the decision on where to store the asset; and
- These assets must be insured in the name of the fund within 7 days of acquisition.

For collectables and personal use assets that were owned by an SMSF prior to 1 July 2011 the trustees have until 30 June 2016 to comply with these rules.

Should you have any questions in regards to superannuation obligations prior to 30 June please contact your usual Hanrick Curran adviser or speak with Clive Todd on 07 3218 3900.

30 May 2016