



Newsletter, May 2016

2016/2017 BUDGET UPDATE

Please find below a summary of the some of the more relevant budget announcements that affect taxation.

2016/2017 individual tax rates

Taxable income range	Marginal tax rate
\$ 0 - \$18,200	0%
\$ 18,201 - \$37,000	19%
\$ 37,001 - \$87,000	32.5%
\$ 87,001 - \$180,000	37%
\$180,001 +	47% (includes the 2% Temporary Budget Repair Levy)

These rates exclude the 2% Medicare Levy. The effective top personal marginal tax rate is 49% including the Medicare Levy.

The Temporary Budget Repair Levy applies to individual taxpayers who have a taxable income over \$180,000 and will cease after the 2016/2017 financial year.

Small business entity concession eligibility

From 1 July 2016, the threshold will increase from \$2m to \$10m which allow access to various small business concessions including:

- \$20k immediate asset write-off;
- accelerated depreciation;
- option to account for GST on a cash basis;
- capital gains tax relief for restructuring.

The increased threshold will not apply for the purposes of accessing existing small business capital gains tax concessions (they remain available for businesses with annual turnover of less than \$2m or that satisfy the \$6m maximum net asset value test).

Small incorporated business tax cuts

From 1 July 2016, the company tax rate will be reduced from 28.5% to 27.5% (for companies with a turnover of less than \$10m).

Small unincorporated business tax cuts

From 1 July 2016, the unincorporated business tax offset will be increased from 5% to 8% (capped at \$1,000). The turnover threshold will increase from \$2m to \$5m.

Employee superannuation

From 1 July 2016, the super guarantee rate will remain at 9.50%. Previous legislation changing the rate to 10% has been amended to delay this increase until 1 July 2021:

2020/2021	9.50%	2023/2024	11.0%
2021/2022	10.00%	2024/2025	11.5%
2022/2023	10.50%	2025/2026	12.0%

Superannuation non-concessional contribution limits

From 3 May 2016, the government has introduced a lifetime limit of \$500,000 (indexed annually in \$50,000 increments) to replace the existing \$180,000 annual limit. The limit will take into account all contributions made since 1 July 2007 (any excess prior to the budget will not result in a breach).

Superannuation concessional contribution limits

From 1 July 2017, concessional contribution limits will be reduced to \$25,000 for all individuals (but individuals with superannuation balances of less than \$500,000 will be allowed to carry forward any unused limit amounts for five consecutive years on a rolling basis).

Year	Under 50	50 and over
2015/2016	\$30,000	\$35,000
2016/2017	\$30,000	\$35,000
2017/2018	\$25,000	\$25,000

Superannuation contribution restrictions removed

From 1 July 2017, the government will remove the "10% test" to allow all employees to make personal concessional (deductible) superannuation contributions.

From 1 July 2017, the government will remove the "work test" to allow all individuals under 75 to make superannuation contributions.

Superannuation transition to retirement income stream taxation

From 1 July 2017, earnings on investments held in transition to retirement income streams will be taxed at 15% (currently 0%), irrespective of when the income stream commenced.

Superannuation pension limits

From 1 July 2017, the government will introduce a limit of \$1.6m for transferring an accumulation balance (where earnings are taxed at 15%) into a pension balance (where earnings are taxed at 0%).

The limit will be indexed annually in \$100,000 increments but a proportioning method will apply to determine any available unused limit.

Existing pension balances will need to be reduced so they do not breach the limit (by transferring the excess back into an accumulation balance).

Superannuation additional tax for higher income earners (Division 293 tax)

From 1 July 2017, the income threshold will be reduced from \$300,000 to \$250,000.

Important Dates

June 30 is fast approaching so you should ensure that you don't miss out on any tax planning opportunities. Superannuation contributions are critically important as the superannuation contribution limits are based on the amount paid into the superannuation fund during the financial year (not the period that the contribution relates to). If you want to maximise your 2015/2016 superannuation contribution, you need to ensure that the amount has been received by your superannuation fund before June 30.

If you have a SMSF, you should also ensure that any minimum pension payments have been made.

Kind regards,
Nick