



Crispin & Jeffery Chartered Accountants

Budget 2016 Review

PROPOSED CHANGES TO SUPERANNUATION

- New \$1.6 million cap on super balances eligible for tax-free earnings (that is, in pension phase) in retirement. This cap is per member, e.g. a husband and wife would have a combined cap of \$3.2 million, effective 1 July 2017.
- The annual cap on concessional contributions to drop from \$35,000 and \$30,000 (for those currently over 50) to \$25,000, effective 1 July 2017.
- Earnings from assets supporting TRIS benefits will not be eligible for tax exemptions from 1 July 2017. As a result it would be prudent to review existing TRIS pensions.
- There will be a lifetime non-concessional cap of \$500,000, replacing the previous allowance of \$180,000 per annum (or \$540,000 under the 'bring forward rule', which would be retrospective to 1 July 2007. Contributions made prior to budget night 2016 will be counted towards the cap, but will not create a tax issue.
- Reform to Division 293 (High Income Earners Superannuation Contributions Tax) that results in 30% tax on superannuation earnings for those individuals earning between \$250,000 and \$300,000 a year from 1 July 2017.
- Personal concessional contribution deductions extended without restriction, up to age 75, effectively removing the "10% rule", and adding an extra 10 years of tax deductible contributions without the work test, effective 1 July 2017. This will allow employees to make additional deductible contributions without the need to salary sacrifice.
- A super tax rebate for those earning less than \$37,000.

Whilst these measures do not provide a great outcome for High Income Earners, or those with high super fund balances, it's good news for Low Income Earners with the super tax rebate.



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PROPOSED CHANGES FOR BUSINESSES

- Small business tax rate lowered by 1% to 27.5% from 1 July 2016.
- All businesses to pay 25% tax by 2027.
- Turnover threshold for small business to be increased from \$2 million to \$10 million from 1 July 2017.
- Small businesses (with a turnover of less than \$10 million) can immediately deduct depreciable asset purchases costing less than \$20,000 until 30 June 2017.

This is a push to see Australia more competitive globally, and is good news for overall economic growth as these measures will promote further investment by business owners.

PROPOSED CHANGES FOR INDIVIDUALS

- The marginal tax rate for the middle bracket income threshold has been lifted from \$80K to \$87K, resulting in an annual saving of \$315, from 1 July 2016.
- There will be no extension to the Temporary Budget Repair Levy on those earning above \$180,000, which will be abolished on 30 June 2017.
- As expected, at this stage the government has made no changes to negative gearing.

These are modest changes which will benefit the income tax for some individuals.