Superannuation News Alert

Proposed Super Reforms – April 2013

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Following a great deal of recent speculation the Government released its proposed reforms to superannuation, ahead of budget night. These reforms have not yet been legislated and need to pass through Parliament in the usual manner before being reflected in law.

In summary:

Superannuation funds paying superannuation pensions

- If you are currently receiving a superannuation pension, the pension drawn will continue to be tax free if you are over the age of 60.

- No changes have been proposed to transition to retirement pensions, however in some cases these will not be as tax effective as was previously the case.

- From 1 July 2014 the tax saving on earnings on assets in a superannuation fund, supporting a pension, will be capped at $15,000 (being the first $100,000 in earnings per member) and the remaining income will be taxed at 15%. Broadly, funds with less than $2 million per member should be largely unaffected.

- Capital gains will be included in the $100,000 limit of tax-free earnings, however transitional rules have been proposed as follows:

CGT asset acquisition date	Impact
Before 5 April 2013	Capital gains realised on assets sold before 30 June 2024 will continue to be tax exempt. Capital gains accruing after 1 July 2024 will be taxable.
Between 5 April 2013 and 30 June 2014	Choice between including whole gain in taxable income (to which the $100,000 exemption applies), or only the part that accrues after 1 July 2014.
After 1 July 2014	Entire gain is included in taxable income.

- If you have capital appreciating assets in a superannuation fund (such as property, but also including shares and other investments) you should consider the impact of these tax changes on future capital gains tax exposure. Superannuation funds pay 15% tax on capital gains, or 10% on discounted capital gains where assets have been held for more than 12 months.

- The timing of disposal of assets should be planned to take into account future CGT, the realisation of losses and the cost base to be carried forward.

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❑ The Government has proposed to extend the normal deeming rules to superannuation account-based income streams for the purposes of the age pension income test. The Government said this was to ensure all financial investments are assessed fairly and under the same rules. This will apply to new pensions only from 1 January 2015, pensions already in place will be grandfathered indefinitely.

❑ The rules regarding limited recourse borrowing arrangements have not changed, however they may be less tax effective in the future and strategies should be revised accordingly.

Superannuation contributions

❑ Concessional Contribution limits are increasing slightly, but not significantly.

Year Ending	Age Under 50	Age 50-59	Age 60+
30 June 2013	$25,000	$25,000	$25,000
30 June 2014	$25,000	$25,000	$35,000
30 June 2015	$25,000 (indexed)	$35,000	$35,000
30 June 2016	$25,000 (indexed)	$35,000	$35,000

❑ Excess concessional contributions made from 1 July 2013 will be able to be withdrawn from the fund and they will be effectively taxed at marginal rates plus an interest charge. No change to excess non-concessional contributions.

Are you are concerned with your current super strategy in light of the proposed reforms?

PwC can assist you to work through the impact of the reforms proposed as they apply to your specific situation and should be contacted in the first instance to guide you.

For more information or assistance in please contact your PwC representative.