

End of Financial Year Planning 2018 Personal & Superannuation Considerations



With 30 June 2018 fast approaching, now is a good time to ensure your year-end strategies are in place. In doing so, it is worthwhile considering the following list of 'Personal and Superannuation Considerations'.

It should be noted that further tax changes are expected to be announced in the May 2018 Federal Budget.

Personal Considerations

HELP repayment thresholds

There have been some changes to Higher Education Loan Repayment (HELP) repayment thresholds and foreign resident HELP debtor repayment obligations.

Specifically, from 1 July 2018 the income threshold at which HELP debtors must start repaying their HELP debt through the tax system is set to fall from \$55,874 to \$45,000. As such many Australians will be required to repay their HELP debts faster.

In addition, foreign residents with HELP debts are required to make repayments by way of a levy from 1 July 2017.

Medicare Levy

From 1 July 2019, the Medicare Levy is set to increase by 0.5% to 2.5% of an individual's taxable income. Therefore, from 1 July 2019 the top marginal tax rate for those individuals earning \$180,000 or more per annum is 47.5% including the Medicare Levy.

Fringe Benefits Tax & Salary Packaging

From 1 April 2017, the Fringe Benefits Tax (FBT) rate has reduced to 47% to align the FBT rate with the top effective marginal tax rate of 47% from 1 July 2017, following removal of the Temporary Budget Repair Levy.

In line with the proposed increase to the Medicare Levy by 0.5% from 1 July 2019, the FBT rate is also set to increase to 47.5% for the 2020 FBT year and later years.

Notably, and also FBT related, the ATO has stated that it proposes to review their interpretation of the definition of "taxi" for FBT purposes, and to adopt an interpretation that accepts a taxi may include a ride sourcing vehicle or other similar vehicle.

Currently, there is an exemption from FBT for taxi travel undertaken to or from work or due to illness.

Superannuation Considerations

There have been significant changes to the rules relating to making superannuation contributions and the taxation of superannuation earnings. Some of the more significant changes that took effect from **1 July 2017** are summarised below.

Non-Concessional Contribution Cap

The annual amount individuals can contribute into super on a non tax deductible basis (referred to as a Non-Concessional Contribution) is reduced from \$180,000 to \$100,000.

For people aged under 65 there is also an ability to bring forward three years of Non-Concessional Contributions.



Concessional Contributions Cap

The annual amount individuals can contribute into superannuation on a tax deductible basis is \$25,000.

High income earners

An additional 15% tax on Concessional Contributions applies to individuals who earn more than \$250,000 per annum (previously \$300,000 per annum).

Tax-free retirement accounts

There is a new limit on tax-free retirement accounts. Individual retirees can only have up to \$1.6 million in a tax-free superannuation retirement account.

Personal super contributions

All individuals under the age of 65 and individuals aged between 65 and 74 who meet a prescribed “work test” can claim a tax deduction for personal superannuation contributions within their annual concessional contribution cap of \$25,000.

Previously this was only available to individuals whose salary and wage type income was less than 10% of the sum of their entire assessable income, reportable employer super contributions and reportable fringe benefits amount.

Transition to Retirement Income Stream

The tax exemption for income supporting a Transition to Retirement Income Stream (TRIS) is removed. This change means that TRIS strategies may no longer be tax effective for Australians approaching retirement.

Further, from 1 July 2018, individuals with account balances of \$500,000 or less will be allowed to make “catch-up” superannuation contributions by allowing individuals to roll-over their unused concessional caps for up to five income years.

These superannuation reforms will impact on the retirement planning for many Australian individuals. All individuals planning to self-fund their retirement through the Australian superannuation system should contact their adviser to discuss the specific implications of these reforms to them.

More information

Speak to your adviser for more information about these considerations, as well as other tax planning opportunities for the year ahead.

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