End of Financial Year Strategies

The period to June 30 is the last opportunity to take advantage of strategies to boost superannuation and minimise tax. Below is a quick reference guide to some opportunities to consider – as always please call our office for further information.

Issue	Of relevance to	To read
Pre-tax contributions to superannuation	Those seeking to reduce their tax by making pre-tax contributions to superannuation (eg: salary sacrifice)	Go to page 2 or client below link 2
Post-tax contributions to superannuation	Those with accumulated savings or proceeds from asset sales that they wish to secure in a tax effective environment (superannuation)	Go to page 3 or client below link 3
Splitting superannuation contributions between spouses	Those who wish to increase the balance of a spouse's superannuation – if your spouse has earlier access to super, or to work within the upcoming limits on pension accounts or possibly for Centrelink reasons	Go to page 4 or client below link 4
Making a post-tax contribution to a spouse's superannuation	Those couples where one spouse has a taxable income this financial year below $40,000 and where the other spouse incurs tax on their income	Go to page 5 or client below link 5
Receiving a superannuation co-contribution from the government	Those with a taxable income this financial year below $51,812	Go to page 6 or client below link 6
Maximising Centrelink benefits	Those who currently receive, or who will shortly receive, a benefit from Centrelink	Go to page 7 or client below link 7
Tax effective strategies	Those who are seeking to minimise their tax liability in the current financial year	Go to page 8 or client below link 8
Minimum superannuation pension levels	Those receiving a superannuation pension (income stream)	Go to page 9 or client below link 9

Corporate Authorised Representative # 461059 of
Integrity Financial Planners Pty Ltd
ABN: 71 069 537 855 AFSL: 225051
Head Office:
Suite 2, 1 Railway Crescent
CROYDON VICTORIA 3136
TEL (03) 9723 0522 FAX (03) 9724 9518

NEXT LEVEL FINANCIAL SERVICES

Suite 4,333 Whitehorse Road BAWYN Vic 3103;
PO Box 254 BALWYN VIC 3103

Level 1, Suite 10, 20-22 Ranelagh Drive, MT ELIZA VIC 3930; PO Box 133, MT ELIZA, VIC, 3930

P : (03) 9188 4254; F: (03) 9880 9109

A. SUPERANNUATION CONTRIBUTIONS (PRE-TAX)

What?	Anyone who is eligible to make contributions to superannuation can make a tax-deductible contribution up to the pre-tax cap (refer below). Employees may also elect to make salary sacrifice contributions ahead of 30 June.
Why?	➔ To boost superannuation and to reduce tax. Salary sacrifice and deductible contributions increase your superannuation balance over and above standard employer contributions.
Issues?	➔ There are caps on pre-tax contributions. The pre-tax contributions cap for 2017/18 is $25,000. ➔ Pre-tax contributions include employer contributions and salary sacrifice. Pre-tax contributions include employer, salary sacrifice and tax deductible contributions. All such contributions count towards the $25,000 cap. ➔ Tax deductible contributions will be taxed at 15% upon contribution. If your marginal tax rate for 2017/18 is likely to be less than 15%, then it may not be advantageous to make a deductible contribution to superannuation. If in doubt then please contact our office or speak with your accountant. ➔ Funds contributed to superannuation can't be accessed again until you reach your preservation age and meet a condition of release. Please contact our office if you're unsure of how this impacts you. ➔ Contributions must reach your superannuation fund on or before 30 June 2018 to be counted as a contribution in this financial year. ➔ A valid notice of an intention to claim a tax deduction for any tax deductible contributions must be lodged with your superannuation fund. Please contact our office if you're making a tax deductible contribution to superannuation and we'll provide you with the appropriate form.
How?	Your payroll/HR department will be able to assist for salary contributions. If you wish to make a tax-deductible contribution then please contact our office for assistance (please note that the contribution should be made no later than 22 June 2018 to ensure processing before the end of the financial year).

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B. SUPERANNUATION CONTRIBUTIONS (POST-TAX)

What?	Anyone under the age of 65, or those aged between 65 and 75 who meet the 'work test', whose total superannuation balance is less than $1,600,000 can contribute post-tax funds to superannuation. Post-tax funds include the proceeds from the sale of an asset or accumulated savings.
Why?	➔ To boost superannuation and to reduce tax in retirement. Funds held in a superannuation pension account in retirement are tax-free. Assets held outside superannuation are potentially taxable.
Issues?	➔ The rules have changed since last financial year. From 1 July 2017, the post-tax contribution cap reduced to $100,000 pa or $300,000 over 3 years (for those aged under 65 during the financial year). ➔ Post-tax contributions are only open to those with a total superannuation balance less than $1,600,000. If your total superannuation balance (TSB) was above $1,600,000 on 30 June 2017 then you won't be able to make post-tax contributions to superannuation. Your TSB is the sum total of all superannuation accumulation and pension accounts in your name. If you're unsure of your TSB then please contact our office before making a further contribution to superannuation. ➔ Be very cautious about potentially exceeding the cap. If you've made significant post-tax contributions in past years then you may be close to or already over the cap. Please check with our office before making any further post-tax contributions.
How?	Most superannuation funds will accept EFT, B-pay and cheques. Please contact our office if you're unsure of how to make contributions to your account. Please note that the contribution should be made no later than 22 June 2018 to ensure processing before the end of the financial year

C. SPLITTING PRE-TAX CONTRIBUTIONS BETWEEN SPOUSES

What?	One member of a couple can split (allocate) their pre-tax superannuation contributions to their spouse.
Why?	➔ To boost superannuation ahead of retirement. If one member of a couple is due to reach their preservation age (ie: the age from which they can access their superannuation) significantly earlier than their partner, then it may be beneficial to split contributions to the older spouse. ➔ For Centrelink reasons. If one member of a couple is approaching eligibility for the Centrelink age pension and their spouse is significantly younger, then there may be benefit in splitting contributions to the younger spouse. ➔ Those with higher superannuation balances. From 1 July 2017, the maximum amount that can be transferred into a superannuation pension is $1,600,000. If one member of a couple is approaching this limit, or likely to over the course of their working life, and their spouse has a smaller superannuation balance then it may be effective to split contributions to the spouse with the lower superannuation balance.
Issues?	➔ There are limits to the amount that can be split. Generally, the maximum split is 85% of the pre-tax contributions made by the spouse making the split from their superannuation (up to the contributions cap). ➔ There are age limits on the recipient of the split. The spouse receiving the split must be aged under 65, or if they've reached their preservation age but are under 65 then they mustn't have retired. ➔ There are time limits on the split. The split must be made no later than the end of the financial year after the year in which the contribution was made (ie: before 30 June 2018 for contributions made in the 2016/17 financial year). ➔ Split contributions still count towards the contributions cap. However, the split doesn't count towards the contributions cap of the recipient.
How?	Please contact our office and we'll liaise with your superannuation fund.

D. TAX OFFSETS FOR SPOUSE CONTRIBUTIONS

What?	Post-tax contributions made to a spouse's superannuation account can attract a tax offset if the spouse has an assessable income of $40,000 or less.
Why?	→ To attract a tax offset. A maximum offset of 18% applies up to a total offset of $540.
Issues?	→ The maximum applicable post-tax contribution is $3,000. 18% x $3,000 = $540. → The maximum offset only applies to an assessable income of $40,000 or less. Assessable income includes salary/wages/distributions and any fringe benefits and reportable employer superannuation contributions. → The maximum offset tapers off for assessable income above $37,000. The offset will be lower than $540 if your spouse's assessable income is between $37,000 and $40,000. → There are age limits for the spouse receiving the contribution. The spouse receiving the contribution must be aged under 65, or must meet the work test if aged between 65 and 70. → Spouse contributions count towards the non-concessional contributions cap of the recipient.
How?	Most superannuation funds will accept EFT, B-pay and cheques. Please note that the contribution should be made no later than 22 June 2018 to ensure processing before the end of the financial year

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E. GOVERNMENT CO-CONTRIBUTIONS

What?	Those with an assessable income less than $51,812 may be eligible for a government co-contribution if they make a post-tax contribution of up to $1,000.
Why?	➔ To attract an additional superannuation contribution from the government. A maximum co-contribution of $500 applies to those who contribute $1,000.
Issues?	➔ The maximum applicable post-tax contribution is $1,000. The government will match this by up to $500 for those eligible. ➔ The co-contribution applies to those with an assessable income below $51,812. Assessable income includes salary/wages/distributions and any fringe benefits and reportable employer superannuation contributions. ➔ The maximum co-contribution tapers off for assessable income above $36,814. The co-contribution will be lower than $500 if your assessable income is between $36,814 and $51,812. ➔ There are age limits for the co-contribution. The recipient must be aged 70 or under on 30 June 2018 and must lodge a tax return for the financial year. ➔ Contributions attracting a co-contribution count towards the non-concessional contributions cap.
How?	Please contact our office before implementing any of the above strategies so that we can discuss their potential impact on your situation.

F. CENTRELINK STRATEGIES

What?	Gifting can be an effective means of reducing assessable assets for Centrelink purposes. Other strategies, such as investing in your principal place of residence (PPR), can also be effective.
Why?	→ To maximise Centrelink benefits. Rules tightening eligibility for the Centrelink age pension came into effect on 1 January 2017 (specifically by reducing the level assets that can be owned to still qualify for Centrelink eligibility). However, gifts and/or investments in your PPR can reduce your asset base for Centrelink purposes.
Issues?	→ There are limits to the levels of gifting permitted for Centrelink purposes. Centrelink recipients are permitted to gift $10,000 per financial year to a maximum of $30,000 over five consecutive financial years. Hence, those who haven't made any gifts over the last 5 financial years could gift $10,000 on or before 30 June 2018 and another $10,000 on or after 1 July 2018 to reduce their Centrelink asset base by $20,000 while staying within the gifting guidelines. → Centrelink doesn't count your PPR as an asset. Hence amounts spent on home improvements or renovations will reduce your asset base for Centrelink purposes. → Gifts and home improvements should be within your means. It's fine to work within the Centrelink rules to improve, enhance or retain Centrelink eligibility however this should only be done if you can afford to gift and/or improve your PPR without detriment to your lifestyle. → Other possible strategies. Contributing to the superannuation of a spouse under Centrelink age pension age (refer section C) can be effective as can withdrawing superannuation funds from a spouse receiving an age pension and re-contributing them to a spouse under Centrelink age pension age.
How?	If of interest then please contact our office to discuss the implications for your financial plan.

G. TAX EFFECTIVE STRATEGIES

What?	There are a number of strategies that can be adopted by those seeking to reduce their tax liability in the 2017/18 financial year.
Specifics	➔ Take advantage of the tax breaks available in superannuation. Refer to sections A, C, D & E for more information. ➔ Bring forward deductible expenses. It may be possible to bring forward some deductible expenses into the current financial year rather than paying them next financial year. Examples include the prepayment of interest on an investment loan or the costs of maintenance or repairs to investment properties. This strategy will work well for those who are expecting to have a higher taxable income this financial year than next (generally only one year's prepayment can be claimed as a deduction in the current financial year). The caveat for those with variable loans is that the expense may be higher now than next year should interest rates decline in the meantime. ➔ Pre-pay deductible insurance expenses. Income protection insurance premiums (where the policy is held outside superannuation) and insurance premiums for business purposes are generally tax deductible in the year in which the expense is incurred. Those with a higher taxable income this financial year than next might benefit from pre-paying these expenses so as to claim the deduction this financial year. ➔ Increase your deductible expenses. Donations to charity are an example of tax-deductible expenses that can be claimed in the current financial year if made before 30 June 2018. ➔ A note for those with taxable incomes above $250,000. Those with an income in excess of this level (inclusive of fringe benefits and taxable superannuation contributions) are liable for Division 293 tax, whereby their pre-tax contributions to superannuation incur an additional 15% tax. ➔ A note for small business owners. Businesses with an annual turnover under $10 million can obtain an instant tax write-off for business assets of up to $20,000 acquired in the current financial year. Please consult with your accountant for more information.

H. MINIMUM SUPERANNUATION PENSION REQUIREMENTS

What?	Those drawing a pension from a superannuation fund, including transition to retirement (TTR) pensions, are required to draw a minimum pension level each financial year.
Why?	→ Minimum pension levels. The minimum pension level is calculated as a percentage of the balance of the pension account at the previous 1 July (the percentage is based on the age of the pension recipient). If a pension is commenced or stopped part way through the financial year, then the minimum is pro-rated to the number of days that the pension is received. If amounts are added to the pension account during the year (eg: if funds previously in accumulation are rolled into pension) then the minimum pension required for the financial year may increase. Failure to meet the minimum pension level can result in tax being levied on the pension account (pension accounts are generally tax-free) and/or other penalties.
Issues?	→ It's the responsibility of the trustee of the pension fund to ensure that minimum levels are met. If your pension account is with a retail provider then the provider (as trustee) is responsible for ensuring that the minimum level of pension is met each financial year. The provider will contact us/you to advise if further pension amounts need to be drawn. → Self Managed Superannuation Funds need to pay careful attention to this issue. SMSF trustees (ie: usually the members themselves) are responsible for ensuring that minimum pension levels are met. → Lump sum withdrawals can count towards pension payments. Lump sum withdrawals from a pension account can be nominated as a pension payment (except for TTR pensions). → There's no maximum pension limit except for TTR's.
Queries?	Please contact our office if you're unsure if you've met the minimum pension provisions for 2017/18.