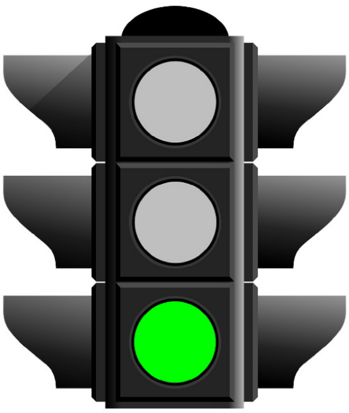
Welcome to our latest e-newsletter.
This is our last issue for the year. As much as we know we've focused a lot on superannuation this year, we couldn't let the passage of the Government's amended Budget proposals on super go without further comment. Read on for details about a once-in-a-lifetime opportunity in super that will disappear after 30th June 2017!

Plus we have some information about the National Business Simplification Initiative, and our Christmas closing times for this year.

In this edition...

Super shake-up gets green light



After going back to the drawing board and re-shaping its Budget superannuation proposals, the Government last week was successful in passing the necessary legislation through both houses of Parliament. The result will be some of the biggest changes in superannuation since 2007.

In our last newsletter, we detailed amendments proposed by the Coalition to the Budget announcement on super in an attempt to soften the blow a little and appease some of its core voters. These included getting rid of the proposed $500,000 lifetime limit on non-concessional contributions and replacing it with a reduction in the current non-concessional contribution cap to $100,000 per year (or $300,000 in any three-year period). Access to these limits would now also be restricted to those with balances less than $1.6 million.

Additional amendments included delaying the implementation of the concessional contributions 'catch-up' measure to 1st July 2018 and removing the proposal to abolish the 'work test' for those aged over 65 years. Some of these terms may need further explanation so please refer to our last newsletter for a more detailed summary.

These changes were sufficient to make the original Budget proposals palatable enough for the Senate to pass the legislation. Collectively the implications for superannuation account holders are going to be significant.

As detailed in our Budget edition, other changes that will now become law include:

- Capping the tax-free balances of pension accounts at $1.6 million, so that earnings on any amounts over this will be taxed again in the fund at 15% (unless the excess is withdrawn);
- Reducing the concessional contribution caps to $25,000 per year for all members regardless of age (these are regular super contributions, such as those made by an employer for an employee, for example);
- Taxing earnings in a fund that relate to a Transition to Retirement Pension until retirement (or until the member turns 65);
- Reducing the superannuation surcharge threshold (the income level of a member at which an additional 15% contributions tax applies) from $300,000 to $250,000 per year;
- Removing the requirement that a person must earn less than 10% of their income from employment to be able to claim a personal deduction for superannuation contributions; and
- Introducing a Low Income Superannuation Tax Offset that will effectively make contributions for members earning less than $37,000 per year tax free.

All of these measures will take effect from 1st July 2017.

Now that the legislation has been debated and passed, we have a lot more information as to some of the specifics, including transitional arrangements where applicable. And there are some bright lights and opportunities in all of this.

In particular, a significant opportunity exists for those wanting to move extra funds into super before the end of the financial year. In fact, it's really a once-in-lifetime chance, the likes of which we may never see again.

For non-concessional contributions the existing 'bring forward' limits will apply right up to 30th June 2017, for all members regardless of their balance. Just to recap again, these are amounts that you put into super from your own pocket, after-tax. As long as you stay under the limits, no further tax is payable. Why do this? The main advantage is that income-generating wealth is moved into the lower-tax environment of super which has a significant compounding effect on wealth generation.

The limits on these contributions had been $180,000 per year, or $540,000 in any three-year period. The latter is known as the 'bring forward' limit, since you effectively bring forward the next two years' limits into the current year but then can make no further contributions of this kind for those years. The new proposal that is set to become law will reduce these limits to $100,000 and $300,000 respectively, with the added restriction that they are unavailable to members with balances over $1.6 million.

The new rules take effect from 1st July next year, so it had been logically expected that if you were to 'bring forward' any limits from future years into what is left of this financial year, it would be at the new rates. To put it another way, if you were to bring forward three years of contributions to this financial year, it makes sense that it would be made up of $180,000 for the remainder of this year (the old per annum limit), but then only $100,000 for each of the next two years (the new per annum limit) - a total of $380,000.

However instead the existing $540,000 will be available right up until 30th June 2017 and can be utilised by anyone with sufficient funds to do so regardless of current balances.

With these measures the Government is signalling in the clearest possible terms its intent to reduce the use of super for wealth creation purposes. The next six months or so then will be the last chance available to maximise the benefits of the 'golden age' of super through the existing generous non-concessional limits. For example, a couple could potentially put $1,150,000 into super before 30th June 2017, being $540,000 (x2) in non-concessional contributions and $35,000 (x2) each in concessional contributions. From 1st July, this same strategy would result in maximum combined contributions of $650,000. To save you doing the maths yourself, that's half a million dollars less! The compounding effect of that difference over a number of years, in a low tax environment like super, could be lifestyle-changing.

This is not necessarily the exclusive domain of higher wealth individuals either. Individuals who receive a windfall of some kind through an inheritance or sale of a significant asset in the next six months or so may want to give this opportunity serious consideration.

It's of even further significance because after 30th June 2017, eligibility for the bring-forward non-concessional limits will be shaped for those who have balances close to $1.6 million (as at 30th June the previous year). For example, if a member has $1.4 - $1.5 million in super, from 1st July 2017 the maximum they will be able to contribute to super from after-tax funds, even bringing forward three years of non-concessional limits, will be $200,000 (and after this, no more for the rest of their life). For balances of $1.5 - $1.6 million, the limit will be $100,000. Furthermore, the use of non-concessional contributions will be completely closed to those whose balance in super exceeds $1.6 million on 30th June. But before this, even for those close to or over $1.6 million in super, the full $540,000 is available. So to some extent the sun is setting, but it will shine for a little longer and while it does, there is the opportunity to make some hay.

There is another surprise concession in the legislation. The introduction of the $1.6 million cap on tax-free balances in retirement means that if there is any excess, two balances must be maintained in the fund. One is the tax-free balance supporting the pension (up to a limit of $1.6 million) while the other is the excess which returns to the 'accumulation' (i.e. taxable) phase. Tax that must be paid on the excess balance includes capital gains tax on shares and other assets (albeit with some additional concessions depending on circumstances). That could result in tax being payable on the proportion of any capital gain that was made before these new measures took effect. That in turn could introduce an incentive to sell assets and realise any gains before 30th June. They could then be immediately repurchased, but the cost base of the shares would be reset while the gain would sneak in before 1st July and be tax free. This is sometimes referred to as 'washing' assets.

Thankfully, the Government has recognised the disruption this would cause and has instead provided a one-time 'reset' for assets that are transferred back into an accumulation balance, from having previously been tax-free. Effectively, the cost of these assets can be set at their value on 30th June 2017, with any capital gains up to that point being 'realised' for tax purposes, while they are tax-free.

One of the great ironies of this protracted period of superannuation uncertainty has been that while the Government has repeatedly cited a desire to reduce dependency on the Age Pension in retirement, most of these new measures increase complexity and reduce the incentive to save for retirement.

We expect that despite Government promises that this is the last time superannuation concessions will be reduced, the landscape ahead is one of continued contraction. That makes the next six months critical for long term retirement planning. Even for those who exceed the new $1.6 million cap in retirement savings, the excess will still only be taxed at 15%, which means that provided you don't need the money to live, superannuation remains a tax-effective vehicle for investment.

We urge you to consider your options well before 30th June 2017 and contact us if you require further information. If you would like personal advice in relation to your superannuation contributions, specific to your circumstances, you should consult your licensed financial adviser.

Simplifying the process of business in Australia

If you've been overwhelmed lately by the amount of paperwork and red tape that comes with running your business, fear not! The Australian Government is here to help.

The National Business Simplification Initiative is a joint strategy between the Federal, State and Territory Governments to improve the process of running a business in Australia, especially in terms of the way it satisfies its statutory obligations.

According to a recent [Press Release], the goals are to reduce regulatory barriers that impede efficient business, and improve services.

This will include identifying some 'quick wins' in cutting red tape so that the benefits can be felt immediately, and using digital technologies to make information more personal and readily available.

The Press Release cites one example of the difficult landscape facing new businesses in Australia. In New South Wales it currently takes at least 18 months just to set up a cafe, including having to fill out up to 48 forms and comply with up to 75 different regulations across the various layers of Government!

It's stories like these that are driving calls for

Christmas Closure

We're a little earlier than usual, but being as this is our last newsletter for the year, we would like to wish you and your family a very merry Christmas and a safe and happy new year.

It's a privilege for us to work with you and something we don't take for granted. We thank you for choosing Dewings and we look forward to working with you again in the months and years to come.

Office hours
This year we'll be closing our office for a couple of weeks to give our team a chance to relax and enjoy a well-earned break. We often find that our clients want the same thing for themselves at this time, but we will only be a phone call away if you need assistance with anything.

We'll be closing the office from 1pm Friday 23rd December 2016, and will reopen again Monday morning, 9th January 2017.

During this time you can still call the office and leave a message, and we'll reform. Recently the Federal Government quietly closed its tax reform White Paper Unit, the team it previously set up to explore so-called 'root and branch' tax reform initiatives. The mess created by this year's superannuation changes, along with the final form of the legislation detailed above, is one example of even further cost and complexity being imposed on the affairs of those in small-medium business. When it comes to reducing the impediments to business in Australia, it often feels a little like the Government gives with one hand while it takes with the other.

Nevertheless, it's welcome news at least that there is an increasing awareness of the problem and a commitment to work on streamlining those processes that can be improved.

You can have your own say as a part of the National Business Simplification Initiative, as invitations will be put out at some stage for comment and engagement. Just subscribe to the e-news link at the bottom of the Press Release. The more input that is received about the experiences of every day Australian businesses, the better.

ensure someone gets back to you as soon as possible. We'll also leave a mobile phone number on our voice mail so that you can contact someone immediately for more urgent matters. We'll be checking our emails and faxes, and documents can be left in the locked drop box on the west-facing wall next to reception.

Who we're supporting this year
Once again, in lieu of Christmas cards we'll be making a donation to charity. This year we're supporting Auscam Freedom Project, a wonderful Australian organisation that provides early intervention support to young girls in Cambodia in order to keep them in school. In their own words, *"Our mission is to provide programs that would not only address the factors that contribute to the issues of Human Trafficking, Sexual Violence, Rape, Abandonment, Homelessness and Gender Inequality but would also provide the support structures to ensure that young women and girls could have an opportunity, choices and ultimately freedom in being able to live a healthy, empowered and sustainable life."*

For a little bit of Christmas inspiration, check out their award-winning short documentary, Sophea's Dream, on the Auscam Freedom Project Home Page. Donations to Auscam Freedom Project are tax deductible.
