



2016 BUDGET

**SUMMARY AND ACTION MATRIX
(as at 4 May 2016)**

	Proposal and Start Date	Businesses	Individuals and Pre-Retirees	Self Managed Super Funds	Retirees and Pensioners
1.	Effective 3/5/16				
1.1	New \$500k lifetime non-concessional contributions (NCC) cap		Action: Track NCC and top up as the cap increases with indexation	Action: Track NCC and accept top ups as the cap increases with indexation	Action: Track NCC and top up as the cap increases with indexation
					Actions: Consider implications for Centrelink testing, alternative wealth transfer strategies.
1.1.1	Current NCC excesses.			Retain in fund, but all future NCC are excessive	
1.1.2	Future excessive contributions.			Must be withdrawn. Penalty tax may apply?	Action: Consider spouse contributions.
2.	From 1/7/16				
2.1	Medicare Levy Threshold increased		Nominal tax saving.		Nominal tax saving.
2.2	Personal 32.5% Tax Rates threshold increased to \$87k.		Nominal tax saving.		Nominal tax saving.
			Action: Tax planning for 2016 and 2017 changeover years.		Action: Tax planning for 2016 and 2017 changeover years.
2.3	Small Business Tax Offset threshold for individuals in business increased to \$5m turnover and tax rate reduction increased to 8%.	Tax saving.			

	Future year extensions also proposed.				
		Action: Tax planning for 2016 and 2017 changeover years.			
2.4	Small company tax rate reduced to 27.5% and threshold increased to \$10m turnover. Future year extensions also proposed.	Tax saving.			
		Action: Tax planning for 2016 and 2017 changeover years.			
		Action: Accrue franking credits at the actual tax paid.			
2.5	SBE Turnover Test increased to \$10m for tax rate, simplified depreciation, simplified trading stock and cash basis GST options.	Tax and administrative savings.			
		Action: Tax planning and adjustment of treatments for 2016 and 2017 changeover years.			
3.	From 1/7/17				
3.1	Concessional Contributions (CC) Cap reduced to \$25kpa for everyone.		Will negatively impact baby boomers in their twilight working years.	Action: Watch for excessive contributions.	
			Action: Ensure that the \$35k 2016 and 2017 CC Cap is maximised.		
			Action: Start tax effective investments outside super		

			to supplement retirement earnings.		
3.2	Catch-up CC to super where member's balance is less than \$500k. Subject to the new \$25k CC cap and a 5 year rolling calculation.		Action: Track CC \$ and top up where possible within 5 years.	Action: Watch for excessive contributions.	Action for age 65 to 75 non-work testers: Track CC \$ and top up where possible within 5 years
3.3	Transition to Retirement Income Stream (TRIS) pension accounts earnings will no longer be tax exempt. Retrospective treatment to all TRIS accounts.		Action for age 55 to 60: Review effectiveness of strategy. Consider full retirement in 2017 to access Full Pension tax treatment.	Action: Alter tax treatment of TRIS pension accounts as of 1/7/17.	
			Action: Ensure the TRIS withdrawals for the 2016 and 2017 are up to the maximum 10% and re-contribute any unused TRIS drawing as a NCC subject to the current \$180kpa cap.		
3.4	\$1.6m cap on superfund accumulation benefits transfer to pension phase. Subject to penalty tax.			Action: Track indexation and proportions and start new pensions annually.	Action: Consider super splitting with spouse before 30/6/17.
				Action: Member withdrawal or Transfer excess back to accumulation account?	
3.4.1	Current excess pension balances			Action: Reduce the pension account balance back to the new cap by 30/6/17 by partial commutation and member withdrawal or transfer to accumulation account.	Action: Consider spouse super splitting strategies.

3.5	Work test removed for age 65 to 75 contributions.		Action: Consider contributions subject to the above changes.	Action: Accept contributions and reduced compliance tests.	Action: Consider contributing non-super investments and assets subject to the above changes.
3.6	Removal of the '10% Test' for tax deductibility of personal super contributions.		Action: Consider contributions subject to the above changes.	Action: Accept contributions and reduced compliance tests.	Action: Consider contributions subject to the above changes.
3.7	High Income Contributions Tax threshold reduced to \$250k.		Action: Track taxable income in order to minimise tax / consider reduced tax effectiveness of salary sacrificed CC.	Action: Prepare for increased administration where members have high incomes.	Action: Track taxable income in order to minimise tax.
3.8	Removal of Anti-detriment provisions.			Action: Ensure claims are made in 2016 and 2017 years.	
				Action: Review reserves and strategies.	
3.9	Pension receipts can no longer be elected to be treated as tax free Lump Sum Payments by those aged between 55 and 60.		Action: Ensure tax free TRIS treatment in the 2015, 2016 and 2017 income tax returns.		Action: Ensure tax free Pension treatment in the 2015, 2016 and 2017 income tax returns.
3.10	Low Income Spouse Super Tax Offset threshold to increase to \$37k.		Action: consider tax effectiveness of making additional spouse contributions and/or spouse making CC.		Action where spouse fails the work test and is under age 75: consider tax effectiveness of making additional spouse contributions.
3.11	Low Income Super Tax Offset payable to superfunds where member's adjusted taxable income is below \$37k.			Action: Prepare for increased administration where members have low incomes.	
4	From 1/7/18				
4.1	Division 7A – Company Shareholder's and	Action: Review when details are available and take any necessary planning and			

	Member's Loan provisions to be simplified.	corrective actions by 30/6/18.			
		Action: Control drawings in 2016, 2017 and 2018.			c Nash Solutions Pty Ltd. General advice only.