Spring/Summer 2016

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Where to now for Super?

The Government has released the second round of exposure draft legislation as a guide to where superannuation is heading in the near future. The change of the $500,000 non-concessional contribution backdated to 2007 has been abolished. A non-concessional contribution is one where the contributor doesn't pay the 15% tax associated with a concessional contribution. Concessional (deductible contributions will be reduced to $25,000 for everyone, irrespective of age, who is working. Non-concessional (after tax) contributions will be limited to $100,000 a year. Those under 65 don't need a work test while those over 65 will still need to pass a work test of 40 hours in 30 consecutive days. This is disappointing as the original proposal in the budget removed the work test for those aged 65 to 75. Given Labor has opposed this proposal it appears the Government has surrendered this aspect to get the newly proposed amendments through.

One of the most reported aspects of the new changes is the $1.6 million limit a person can hold in the tax-free pension phase ie. An allocated or term account pension. If a person holds more than that they can simply rollover over the excess to the Superannuation phase or make a tax free withdrawal if they have retired or are over age 65. A person holding more than $1.6 million in super are only able to place $1.6 million into the pension phase. Most Australian's would say "we wish!" At this point there has been no indication of how Defined Benefit pensioners eg E.S.S.S pensions would be affected in any way if at all. The biggest surprise was a prohibition on all non-concessional contributions for anyone with a balance of $1.6 million or more at June 30 in any year. Obviously a married couple has a limit of $3.2 million. There is some good news in that all these changes take place on the 1st of July 2017. This means the following rules still apply until June 30 next year.

Until June 30 the concessional cap will remain at $35,000 a year for those aged over 50. Those salary sacrificing within that limit including the employer's contribution don't have to make a substantial salary sacrificing reduction. Similarly the existing rules for non-concessional contributions still apply until June 30 2017. As a result anybody under the age of 65 with spare cash could consider making large non-concessional contributions to super. The annual limit is $180,000, and if you are eligible, you may be able to bring forward three years contributions and contribute $540,000 in one lump sum. This has to be done carefully and there can be large penalties for excessive amounts. Please contact Rod and Noel in advance. For those over 65 who pass the work test you can still contribute $180,000 this financial year.

In summary the present rules stay in place and the proposed round of amendments appear likely to be legislated in time for the 1st of July 2017. After that maybe they can leave Super alone for the foreseeable future but we are not holding our breath.

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OMNIBUS BILL UPDATE

Centrelink exemptions for new aged care entrants have been removed.

Omnibus Bill introduced - Centrelink exemptions for new aged care entrants removed

The Government has tabled the Budget Savings (Omnibus) Bill 2016. The Bill includes the following key measures:

- Changes to Centrelink means testing from 1 January 2017 for people entering into aged care accommodation

Pension means testing for aged care residents

Currently there are Centrelink income and assets test exemptions if a pensioner enters residential aged care and rents out the former family home. If the pensioner is paying a periodic charge which relates to the cost of their residential aged care accommodation (such as a Daily Accommodation Payment), the former family home is indefinitely exempt from the Centrelink assets test and the rental income is exempt from the income test. The changes in the Omnibus Bill will mean that those who enter residential aged care from 1 January 2017 will not have access to these exemptions, resulting in the following changes to pension means testing:

- The family home will only be exempt from the assets test for the first 2 years after leaving the family home and entering residential aged care (under the current Centrelink assets test rules). Consequently the assets test will only effectively apply from 1 January 2019.
- Net rental income will be counted under the income test (from the start of the rental agreement).

This is intended to partially align the treatment of the family home under Centrelink and aged care rules.

The current rules will continue for those already in aged care. Importantly the Bill makes it clear that the Government has no intention of removing the two year exemption from the assets test when a person vacates the former home.

The treatment of the former family home under residential Aged Care means testing has not changed.

Conclusion

The Budget Savings (Omnibus) Bill 2016 was tabled on 31 August 2016. Most of the provisions have already been agreed to by the Opposition. Consequently the Government expects this to have a (relatively) easy passage through Parliament.

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REMINDER

Asset Test Changes to take effect January 1 2017.

If you receive a letter from Centrelink regarding how the assets test effects your future entitlements could you please send a copy to Paysafe for analysis.

New Asset Test Limits

Changes to the Age Pension assets test are now law and will take effect from 1 January 2017. The asset test limits have been marginally reduced from what was announced previously. This is shown in the following tables. If you receive a letter from Centrelink re how the assets test effects your future entitlements could you please send a copy to Paysafe for analysis.

New Age Pension LOWER assets test thresholds (for FULL Age Pension)

Age Pension assets-test free area

	Home owner	
	Until 31 December 2016	**1 January 2017**
Single	$209,000	$250,000
Couple	$296,500	$375,000

	Non-home owner	
	Until 31 December 2016	**1 January 2017**
Single	$360,500	$450,000
Couple	$448,000	$575,000

New Age Pension UPPER assets test thresholds (for PART Age Pension)

	Home owner		
	Until 31 December 2016	**Announced for 1 January 2017**	**ACTUAL for 1 January 2017**
Single	$793,750	$547,000	**$542,500**
Couple	$1,178,500	$823,000	**$816,000**

	Non-home owner		
	Until 31 December 2016	**Announced for 1 January 2017**	**ACTUAL for 1 January 2017**
Single	$945,250	$747,000	**$742,500**
Couple	$1,330,000	$1,023,000	**$1,016,000**

How the harsher Age Pension assets test works

The stricter Age Pension assets test will operate as follows: The taper rate for the assets test, which determines how much Age Pension you receive, will reduce your Age Pension entitlement by $3 a fortnight for every $1,000 of assets you own over the full Age Pension threshold, taking effect from 1 January 2017. Currently, the taper rate is $1.50 per $1,000 of assets over the full Age Pension threshold. **No Age Pension, but eligible for CSHC:** According to the revised Explanatory Memorandum accompanying the legislation introducing the Age Pension assets test changes, "Those whose pension is cancelled will automatically be issued with a Commonwealth Seniors Health Card, or a Health Care Card for those under pension age (and receiving a different Centrelink benefit), without the need to meet the usual income requirements. Veterans whose service pension is cancelled under this measure will retain their Veterans' Affairs Gold Card." The federal government legislation does not deal with state-based concessions, such as rate and utility discounts.

Warning: The harsher assets test also applies to other social security pensions, including disability support pension, wife pension, carer payment, bereavement allowance, widow B pension and certain pensions administered by the Department of Veterans' Affairs. According to the revised Explanatory Memorandum accompanying the legislation, the assets test also applies to parenting payment and allowances (widow allowance, youth allowance, austudy payment, newstart allowance, sickness allowance, special benefit and partner allowance).

Source—Trish Power September 14 2016

If clients are in any doubt please contact Paysafe for an appointment with Noel or Rod. Please note that your contents shouldn't be valued above 10K which is the sale value not replacement value. Also you car's value is not the insured value but it's cash value. An appointment can look at whether it's worthwhile to look at any strategies to reduce your asset test.

REMINDER

The harsher assets test applies to other social security pensions, including:

- **Disability Support Pension**
- **Wife Pension**
- **Carer Payment**
- **Bereavement Allowance**
- **Widow B Pension**
- **Certain pensions administered by the Department of Veterans' Affairs**

The assets test will also apply to parenting payments and allowances including:

- **Widow Allowance**
- **Youth Allowance**
- **Austudy Payment**
- **Newstart Allowance**
- **Sickness Allowance**
- **Special Benefit and Partner Allowance**

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