

Key Budget highlights

Superannuation Measures

Effective date

Lifetime cap for non-concessional superannuation contributions

3 May 2016

Effective immediately, a lifetime cap of \$500,000 for non-concessional contributions has been introduced. This replaces the existing annual caps of up to \$180,000 per year (or \$540,000 every three years under the bring forward rule).

Any contributions made before 7:30 pm AEST, 3 May 2016 will not result in the excess. However excess contributions made after commencement will need to be removed or be subject to penalty tax.

Transfer balance cap introduced

1 July 2017

As of 1 July 2017 a balance cap of \$1.6m applies in relation to the amount of superannuation an individual can transfer into pension phase.

Those already in pension phase and whose balance exceeds \$1.6m will, by 1 July 2017, need to either withdraw the excess or transfer it back to accumulation phase where the earnings on the excess amounts will be taxed at 15%. Individuals that breach the cap will be subject to tax on the excess amount and earnings on the excess amount.

Concessional contributions cap reduced

1 July 2017

The annual cap on concessional superannuation contributions will be reduced to \$25,000 (currently \$30,000 under age 50; \$35,000 for ages 50 and over).

Catch-up concessional superannuation contributions

1 July 2017

Individuals with a superannuation balance less than \$500,000 will be allowed to make additional concessional contributions where they have not reached their concessional contributions cap in previous years. Unused amounts are carried forward on a rolling basis of 5 years.

Div 293 tax income threshold reduced

1 July 2017

The threshold at which high income earners pay additional contributions tax of 15% will be lowered to \$250,000 (currently \$300,000).

Tax exemption on earnings supporting income streams removed

1 July 2017

The tax exemption for earnings on assets supporting transition to retirement streams will be removed.

Removal of contribution restrictions for people aged 65-74

1 July 2017

People in this age bracket will no longer have to satisfy a work test to make superannuation contributions and will also be able to receive contributions from their spouse.

Restrictions on deductions for personal contributions eased

1 July 2017

Individuals up to the age of 75 will be allowed to claim deductions on any personal contributions up to their concessional cap. This effectively allows anyone, regardless of their employment situation, to claim a deduction for their personal contributions.

Business & Tax Measures

Effective date

Small business turnover

1 July 2016

The small business entity (SBE) turnover threshold will be increased to \$10 million (previously \$2m). This allows more business to access the existing SBE tax concessions including:

- Simplified depreciation rules, including immediate tax deductibility for asset purchases costing less than \$20,000 until 30 June 2017 and then less than \$1,000.
- Low small business corporate tax rate (which will be reduced to 27.5% from the 2016/17 income year).
- Access to simplified rules for treatment of trading stock, GST, FBT and PAYG instalment accounting methods.

Unincorporated small business tax discount increased

1 July 2016

The current discount of 5% will be gradually increased to 16%. First increasing to 8% on 1 July 2016. In addition the turnover threshold for businesses that are eligible for this concession has increased to \$5 million (previously \$2 million).

Reduction in the corporate tax rate

1 July 2016

Starting from 1 July 2016 the company tax rate will be reduced to 27.5% (previously 30%) for companies with turnover less than \$10 million. The timing of the reduction will depend on the annual aggregated turnover of each company.

Financial Year	Companies with aggregated turnover below	Applicable tax rate
2016-17	\$10 million	27.5%
2017-18	\$25 million	27.5%
2018-19	\$50 million	27.5%
2019-20	\$100 million	27.5%
2020-21	\$250 million	27.5%
2021-22	\$500 million	27.5%
2022-23	\$1 billion	27.5%
2023-24	All companies	27.5%
2024-25	All companies	27%
2025-26	All companies	26%
2026-27	All companies	25%

Personal income tax reduced

1 July 2016

The threshold at which the 37% marginal tax rate for individuals commences will increase from taxable incomes of \$80,000 to \$87,000.

This measure is designed to ensure the average full-time wage earner will not move into the second highest bracket.