Important information about the HESTA super account

Significant event notice

22 August 2017

In the 2016 Federal Budget, a number of reforms to superannuation were proposed, which came into effect on 1 July 2017. We have set out below how they may impact the HESTA or HESTA Personal account.

Changes in contributions caps

There are limits on the amount you can contribute to super both before tax (e.g. Super Guarantee, salary sacrifice amounts) and after tax.

On 1 July 2017, these limits changed.

	Prior to 1 July 2017	From 1 July 2017
Before-tax contributions (i.e. SG, salary sacrifice)	$35,000 for individuals 49 and over	$25,000 for all
	$30,000 for individuals 48 and under	Able to make catch up contributions from 1 July 2019 if your total super balance is under $500,000 at 30 June of the previous year. (Members aged 65-74 will need to satisfy a work test.)
After-tax contributions	$180,000 per year.	If your total super balance is less than $1.6 million (as at 1 July 2017):
	Ability to 'bring forward' 3 years of contributions which is $540,000 if you are under under 65.	$100,000 per year or 'bring forward' 3 years of contributions which is $300,000 if you are under 65.

Claiming a tax deduction on superannuation contributions

Prior to 1 July 2017, only self-employed people and those that earnt less than 10% of their income from salary or wages, were eligible to claim a tax deduction for any contributions they made to super. The contributions were then treated as 'before tax (concessional) contributions'.

On 1 July 2017, the 10% rule was removed. If you are 65–74 years old at the end of the income year in which you made the contribution, you still need to satisfy a work test in each financial year that you make a contribution to claim a deduction. To satisfy the work test, you must work at least 40 hours during a consecutive 30-day period each financial year for which you want to claim a deduction for a personal super contribution. If you are 75 years old or older, you can only claim a deduction for contributions you made on or before the 28th day of the month following the month in which you turned 75.

Government super co-contribution

Low income earners who make after tax contributions to super may be eligible for a Government co-contribution payment into their super. This is calculated at 50 cents for every dollar contributed (up to $500).

In addition to the previous co-contribution eligibility requirements, members must also have a total superannuation balance at the end of the previous financial year of less than the transfer balance cap ($1.6 million for the 2017/2018 year of income) and not have exceeded their after tax contributions cap to qualify for the Government co-contribution.

Low income super tax offset

The low income superannuation tax offset (LISTO), has replaced the low income superannuation contribution (LISC) from 1 July 2017.

From 1 July 2017, eligible individuals with an adjusted taxable income up to $37,000 will receive a LISTO payment to their super fund. The LISTO payment will be equal to 15% of their total concessional (pre-tax) super contributions for an income year, capped at $500.

The LISTO is calculated on 15% of the concessional (before tax) super contributions you or your employer pays into your super fund. The maximum payment you can receive for a financial year is $500, and the minimum is $10.

Spouse offset eligibility requirements

Prior to 1 July 2017, individuals could claim a maximum tax offset of $540 for contributions made to their spouse's eligible super fund if, among other things, the sum of their spouse's assessable income, total reportable fringe benefits and reportable employer super contributions was $10,800 or less. The tax offset amount gradually reduced for incomes above $10,800 and completely phased out when the income reached $13,800.

From 1 July 2017, the spouse income threshold has increased, Individuals are able to claim the maximum tax offset of $540 if:

- they contribute to the eligible super fund for their spouse, whether married or de-facto, and
- their spouse's income is $37,000 or less.

The tax offset amount will gradually reduce for income above this amount and completely phases out when your spouse’s income reaches $40,000.

Individuals cannot claim the tax offset when their spouse who is receiving the contribution:

- exceeds their non-concessional contributions cap for the relevant year, or
- has a total superannuation balance equal to or exceeding the general transfer balance cap ($1.6 million for 2017–18) immediately before the start of the financial year in which the contribution was made.

High income earnings and division 293 tax

From 1 July 2017, if your combined income and super contributions exceed $250,000 you may have to pay extra tax on the excess, this is known as Division 293 tax. This has reduced from the previous $300,000 threshold. An additional 15% tax is applied to the lesser of:

- the excess,
  or
- the concessional (i.e. the before tax) contributions (except excess contributions).

Changes to anti-detriment payments

Prior to 1 July 2017, 'anti-detriment' provisions in the tax law enabled superannuation fund trustees, such as HESTA, to be able to claim a tax deduction in their tax return for top up payments made as part of a death benefit payment made where the beneficiary is a dependant of the deceased member.

The top-up amount represented a refund of a member's lifetime super contribution tax payments. The tax laws were changed on 1 July 2017 so that this is no longer possible in respect of payments made to a dependant/s where the member dies after 1 July 2017. Transitional rules apply where the member died before 1 July 2017 but the death benefit payment (to a dependant) has not yet been paid.

Transfer balance cap

From 1 July 2017, the Federal Government limited the amount you can transfer from your super into the retirement phase (an income stream), for example, the HESTA Retirement Income Stream. This limit is known as the 'transfer balance cap' and for the 2017/18 financial year, this is set at $1.6 million. This is the maximum combined amount you can have in the HESTA Retirement Income Stream and any other income stream accounts. This will be reassessed annually in $100,000 increments in line with movements in the consumer price index.

Members who exceed their transfer balance cap may have to pay an excess transfer balance tax and be required to withdraw the excess from their income stream account(s).

The HESTA TTR Income Stream is not in the retirement phase, and will not be counted towards your transfer balance cap. But if it converts to a HESTA Retirement Income Stream (or another retirement income stream), then the balance in that account **will** count towards the transfer balance cap. The balance that remains in the TTR income stream will however be considered for purposes of determining whether you can continue to make after-tax contributions to your super account.

More information about these changes is available by visiting our website
www.hesta.com.au/knowitall
Contact us on 1800 813 327 Monday to Friday, 8am - 8pm AEST

For HESTA Income Stream enquiries contact us on 1300 734 479.