



LEGISLATIVE & REGULATORY UPDATE

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21 March 2024





AGENDA

Stage 3 tax cuts

Indexation of caps

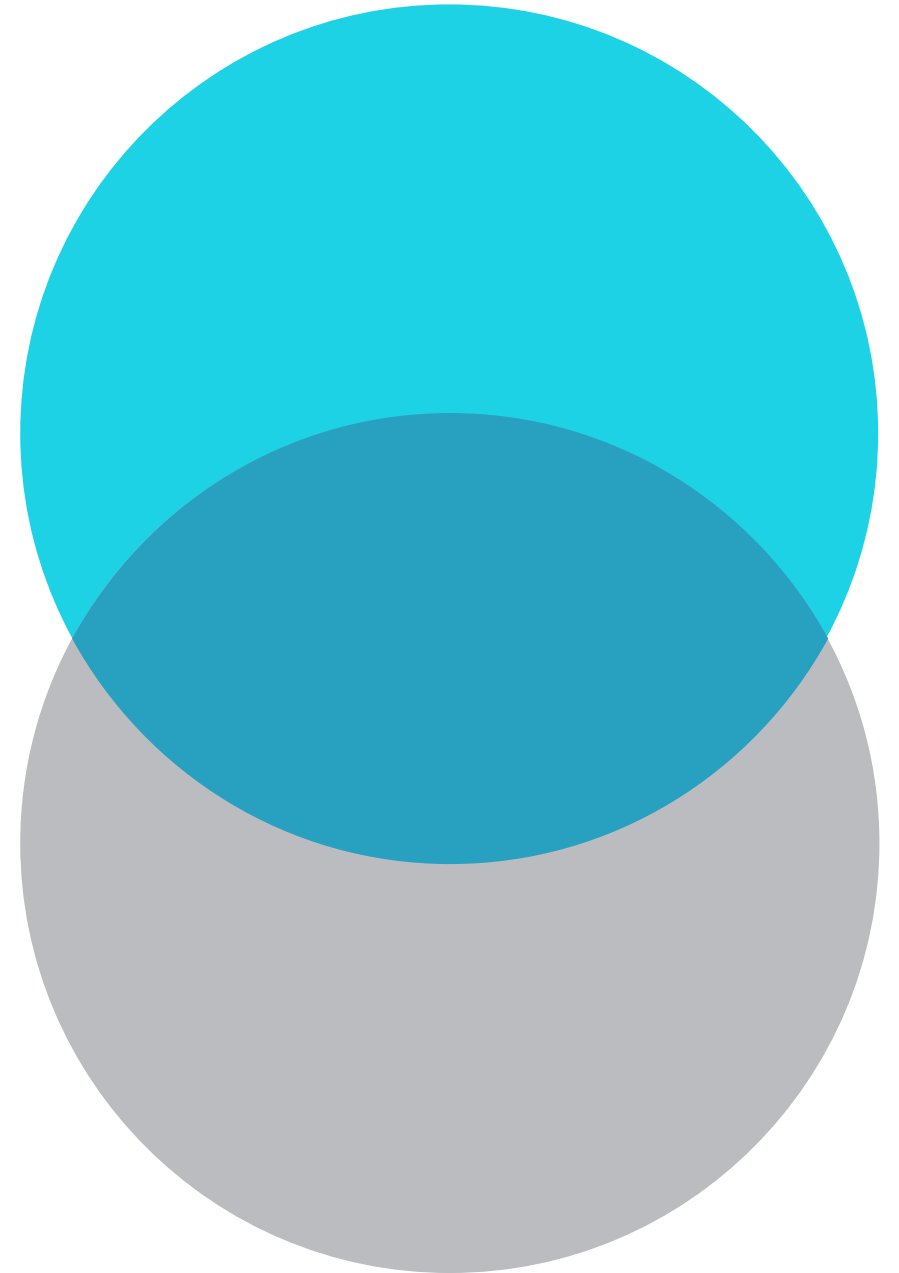
Division 296

Legacy pension relief

Centrelink and aged care

Retirement phase of super

STAGE 3 TAX CUTS



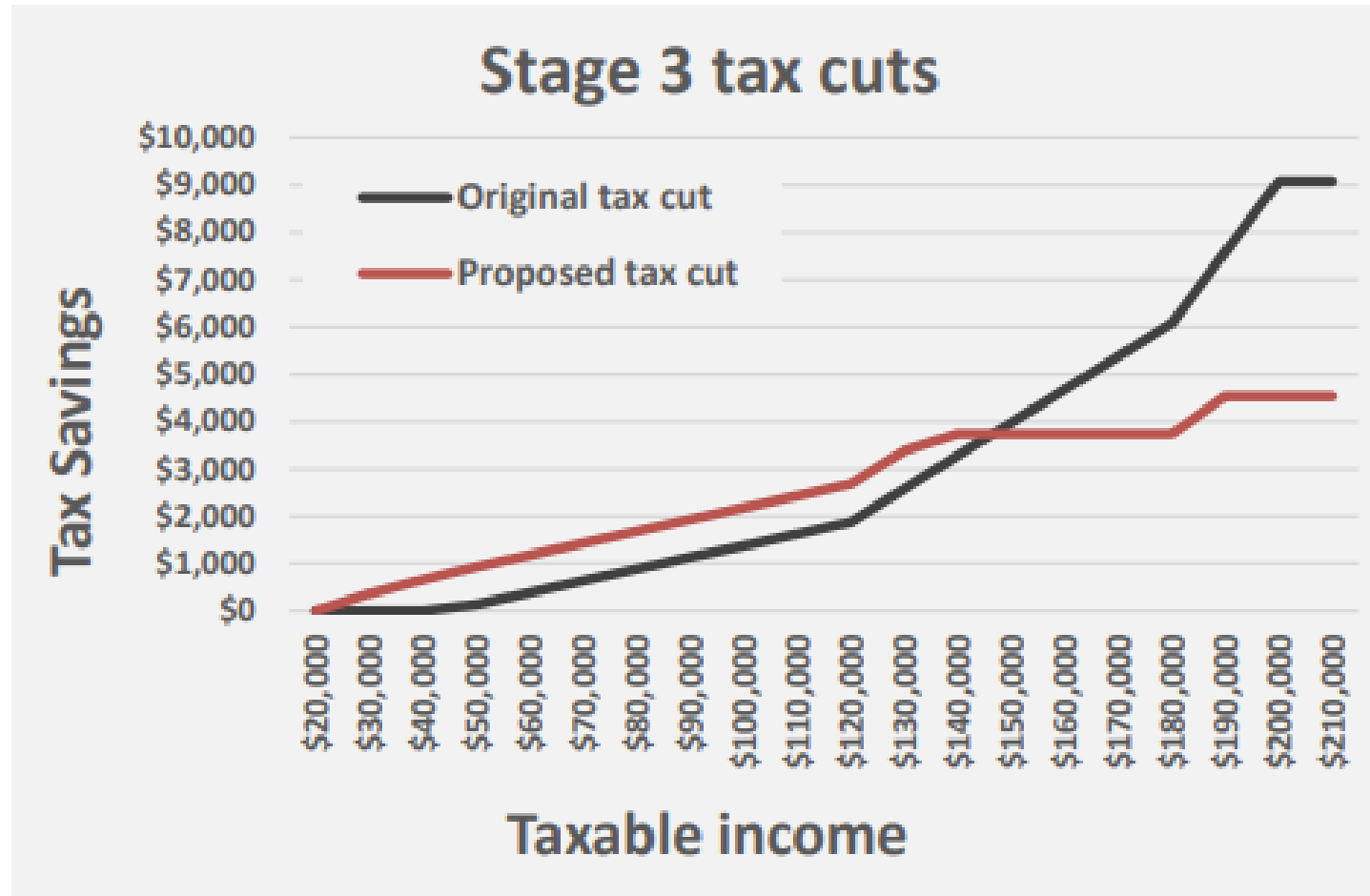
STAGE 3 TAX CUTS

- Previously legislated in the Morrison government
- Labor announced changes on 23 January 2024
- To apply from 1 July 2024

2023-24 FY		Previously from 1 July 2024		From 1 July 2024	
Taxable income	Tax rate	Taxable income	Tax rate	Taxable income	Tax rate
\$0 - \$18,200	0%	\$0 - \$18,200	0%	\$0 - \$18,200	0%
\$18,201 - \$45,000	19%	\$18,201 - \$45,000	19%	\$18,201 - \$45,000	16%
\$45,001 - \$120,000	32.5%	\$45,001 - \$200,000	30%	\$45,001 - \$135,000	30%
\$120,001 - \$180,000	37%			\$135,001 - \$190,000	37%
\$180,001+	45%	\$200,001+	45%	\$190,001+	45%

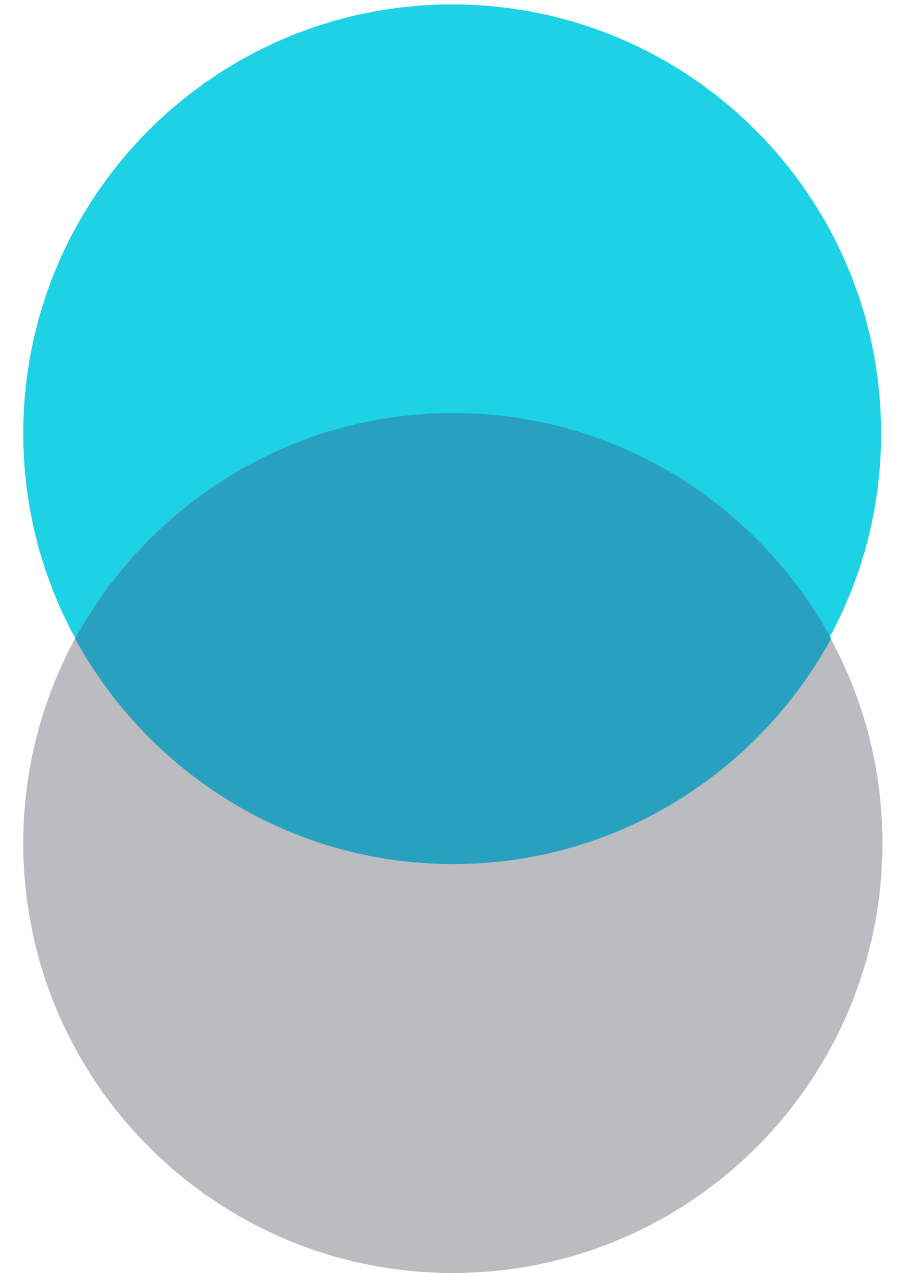
- Received Royal assent 5 March 2024.

STAGE 3 TAX CUTS – LEGISLATED V PROPOSED



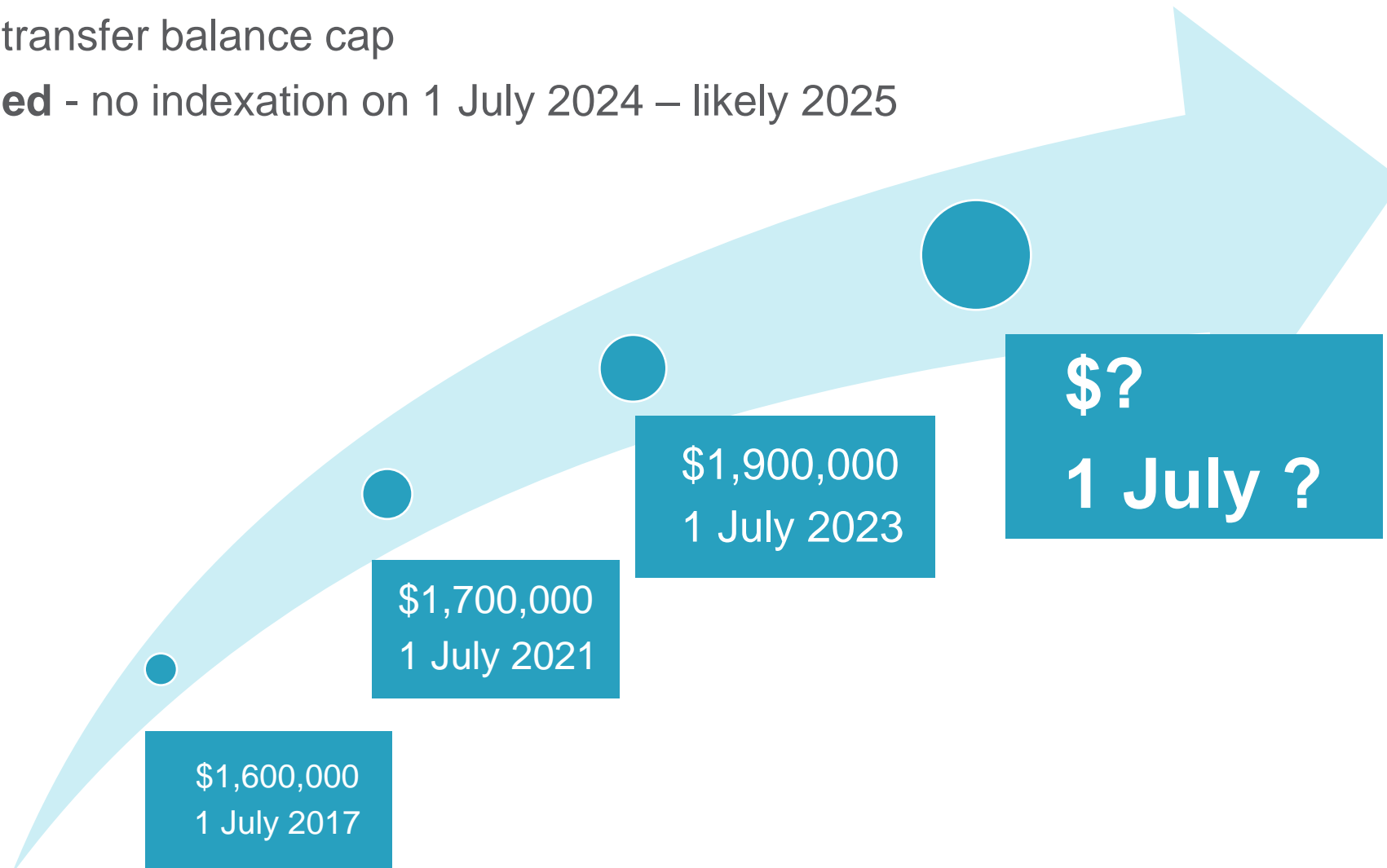
Source: MLC

INDEXATION OF CAPS

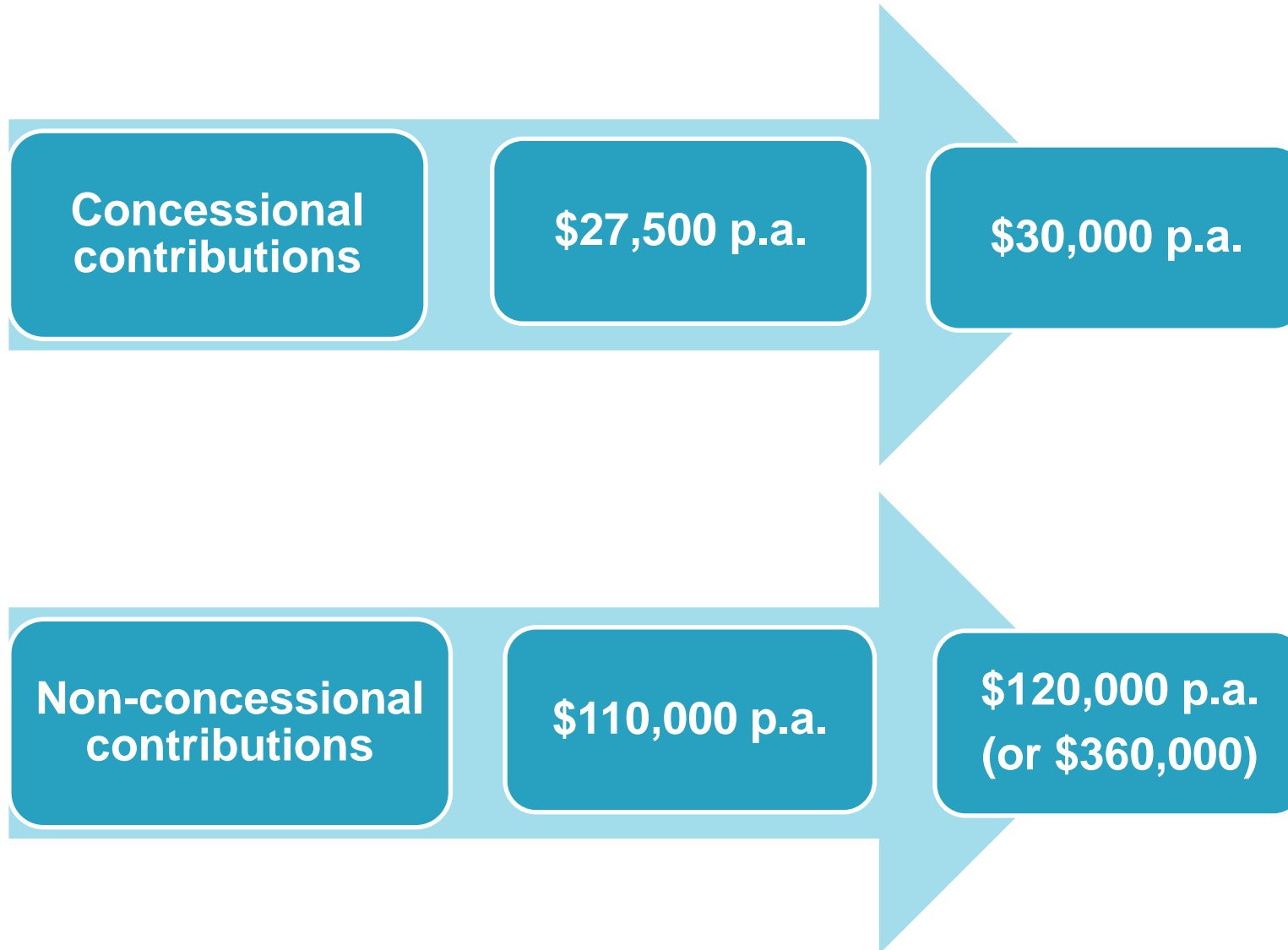


INDEXATION – TRANSFER BALANCE CAP

1. General transfer balance cap
2. **Confirmed** - no indexation on 1 July 2024 – likely 2025



INDEXATION – CONTRIBUTION CAPS FROM 1 JULY 2024



IMPACT ON 3 YEAR BRING FORWARD – TSB THRESHOLDS

2023-24 financial year

Total super balance	Maximum NCC
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<\$1,680,000	\$330,000
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\$1,680,000 to \$1,790,000	\$220,000
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\$1,790,000 to \$1,900,000	\$110,000
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>\$1,900,000	\$0
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2024-25 financial year

Total super balance	Maximum NCC
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<\$1,660,000	\$360,000
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\$1,660,000 to \$1,780,000	\$240,000
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\$1,780,000 to \$1,900,000	\$120,000
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>\$1,900,000	\$0
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Total super balance now < \$1.66m for \$360,000

1 JULY 2024 CAPS – PRACTICAL IMPLICATIONS FOR CLIENTS



- Clients looking to commence a pension for the first time – confirmation they don't need to hold off for indexation
- Strategy to roll back TRIS to super for those turning 65 - not required for another year

- Review salary sacrifice, personal deductible contributions and TRIS strategies in light of new cap
- Don't forget – SGC also increasing to 11.5%
- \$22,575 new tax-free threshold with phase 3 changes



1 JULY 2024 CAPS – PRACTICAL IMPLICATIONS FOR CLIENTS

2024
2023



- Maximum unused concessional cap available will increase to:

$$\begin{array}{rcccl} \$132,500 & + & \$30,000 & = & \$162,500 \\ \text{(19/20 to 23/24)} & & \text{(24/25)} & & \end{array}$$

- Don't forget Division 293 tax implications

1 JULY 2024 CAPS – PRACTICAL IMPLICATIONS FOR CLIENTS

- Wait to trigger bring forward after 1 July 2024
- **TRAP:** Impact of \$110,000 this year on total super balance
- No indexation if bring forward already triggered

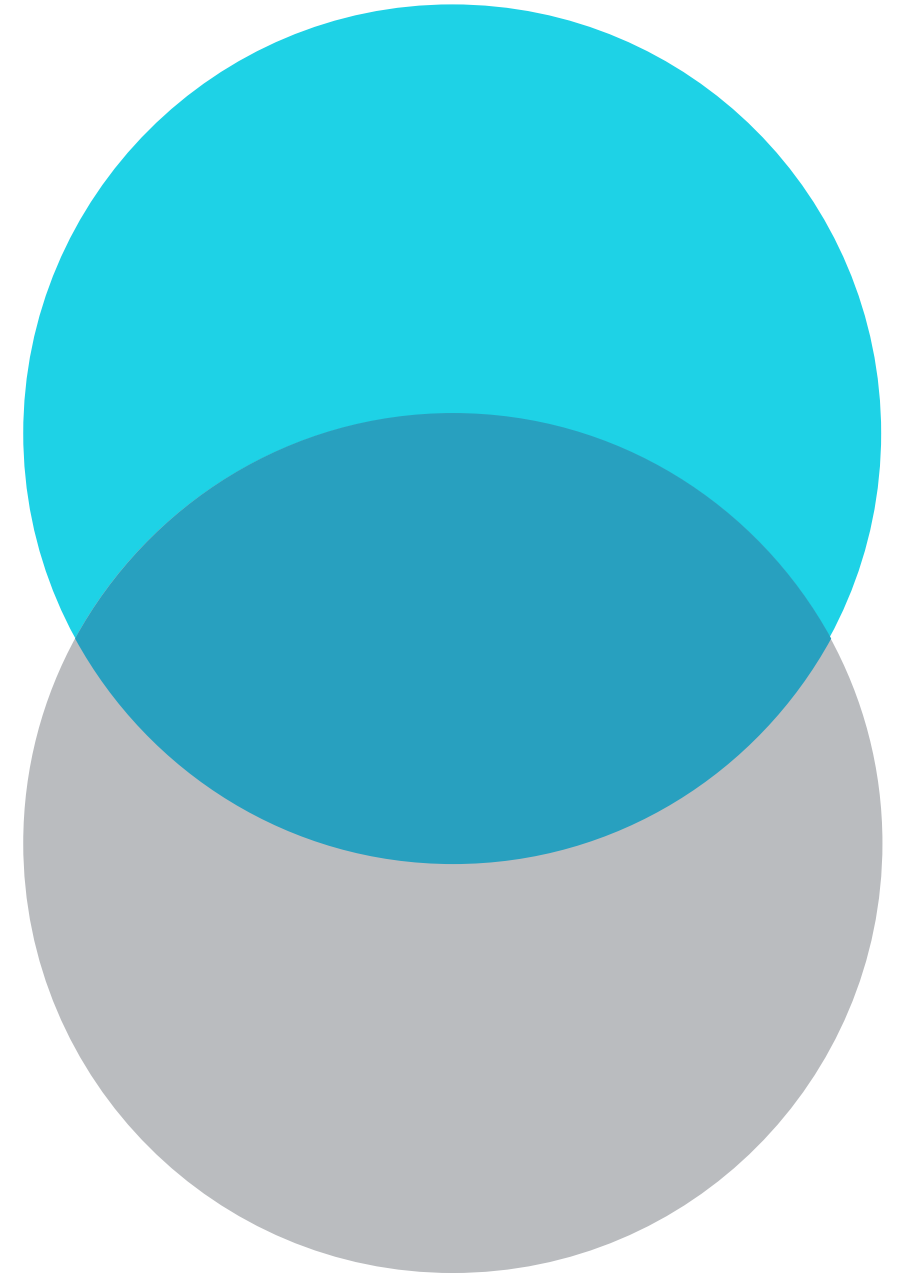


Case Study: David (70) made a \$140,000 non-concessional contribution on 1 March 2024. His total super balance on 30 June 2023 was \$1.5 million.

What is the maximum non-concessional contribution David can make in July 2024 without exceeding the NCC cap if his total super balance on 30 June 2024 is:

- | | |
|------------------|-----------------------------------|
| - \$1.81 million | \$190,000 (\$330,000 - \$140,000) |
| - \$1.95 million | \$0 |

DIVISION 296 TAX



DIVISION 296 TAX

- Superannuation (Better Targeted Superannuation Concessions) Imposition Bill 2023

30/11/2023	Bill introduced
7/12/2023	Referred to Senate Economics Legislation Committee
10/5/2024	Committee report due

- Bill introduces Division 296 tax
- Also proposes changes to the way capped defined benefit pensions are treated for total superannuation balance

VALUING CAPPED DEFINED BENEFIT INCOME STREAM (CBDIS)

- CBDIS include:
 - Lifetime pensions – irrespective of when they commenced
 - Lifetime annuities – commencing before 1 July 2017
 - Life expectancy pensions & annuities – commencing before 1 July 2017
 - Market-linked pensions and annuities – commencing before 1 July 2017
- Transfer balance cap is based on the “special value”

Special value

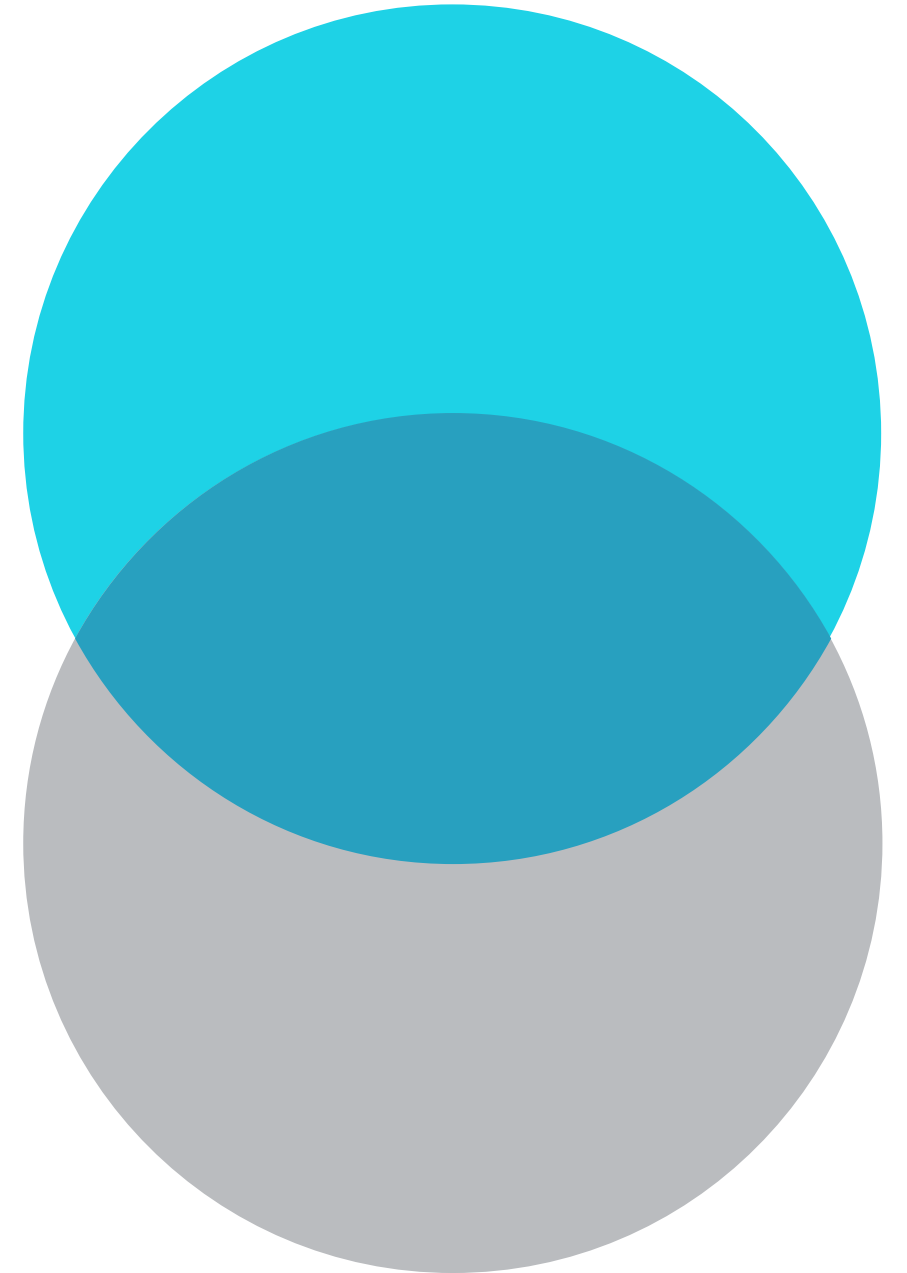
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Total super balance

CHANGES TO TSB

- Included in Superannuation (Better Targeted Superannuation Concessions) Imposition Bill 2023
- TSB of capped defined benefit pensions to be uncoupled from TBC [(ITAA97s.307-205(1))]
- TSB value to be prescribed in regulations – yet to be released .
- Capped defined benefit pensions will need to be valued each year for TSB purposes.
- From immediately before 1 July 2025, may affect ability to:
 - Make non-concessional contributions
 - Receive the Government co-contribution
 - Receive the spouse contribution tax offset.

LEGACY PENSIONS



LEGACY PENSION RELIEF

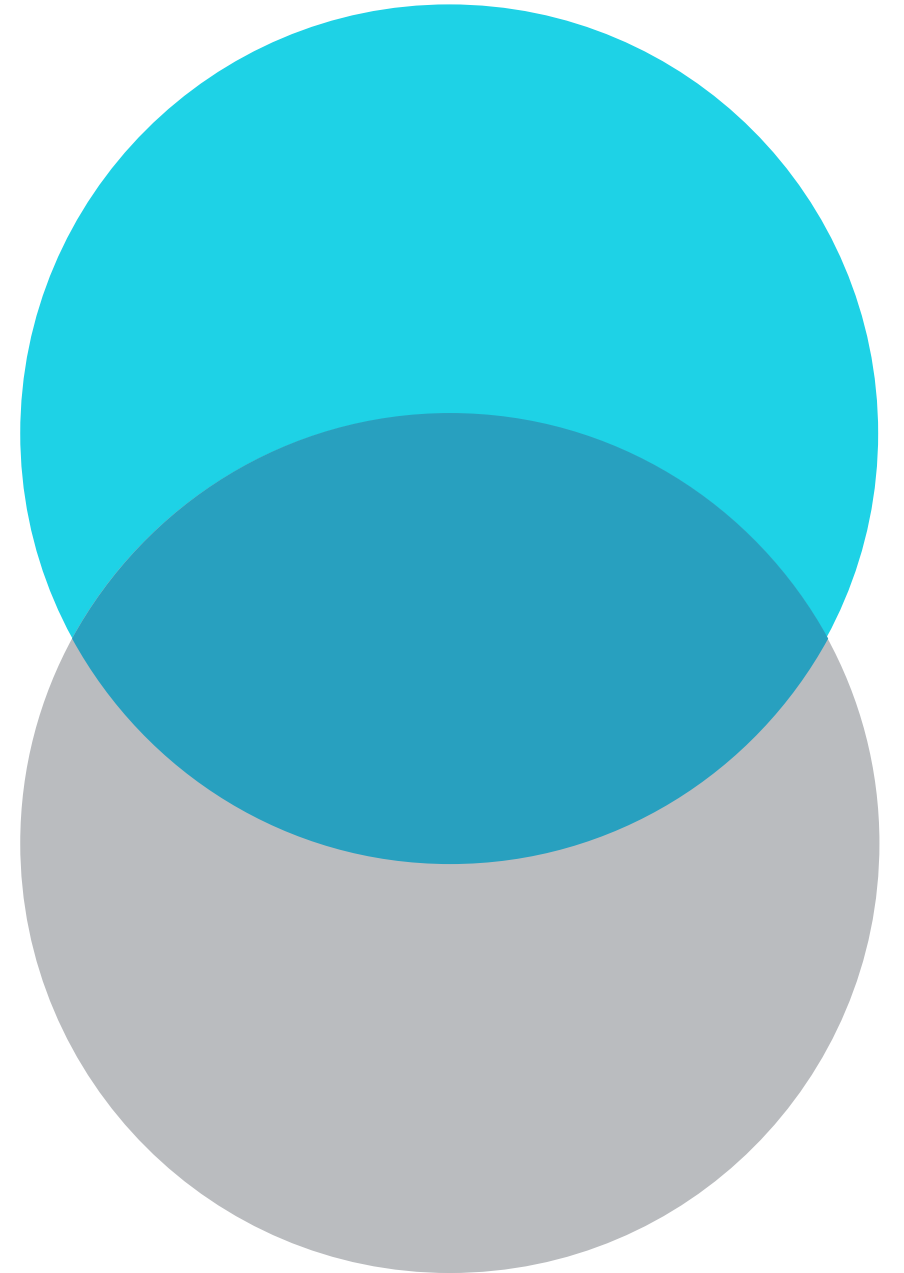
- Originally proposed by the Morrison government in the 2020 MYEFO
- Two-year amnesty to allow people with certain defined benefit pensions and market linked income streams to exit these products without incurring:
 - Adverse social security consequences, and
 - Without breaching SIS complying pension trustee obligations.

“We have been told that they do intend to proceed with the changes to legacy pensions which is good news”

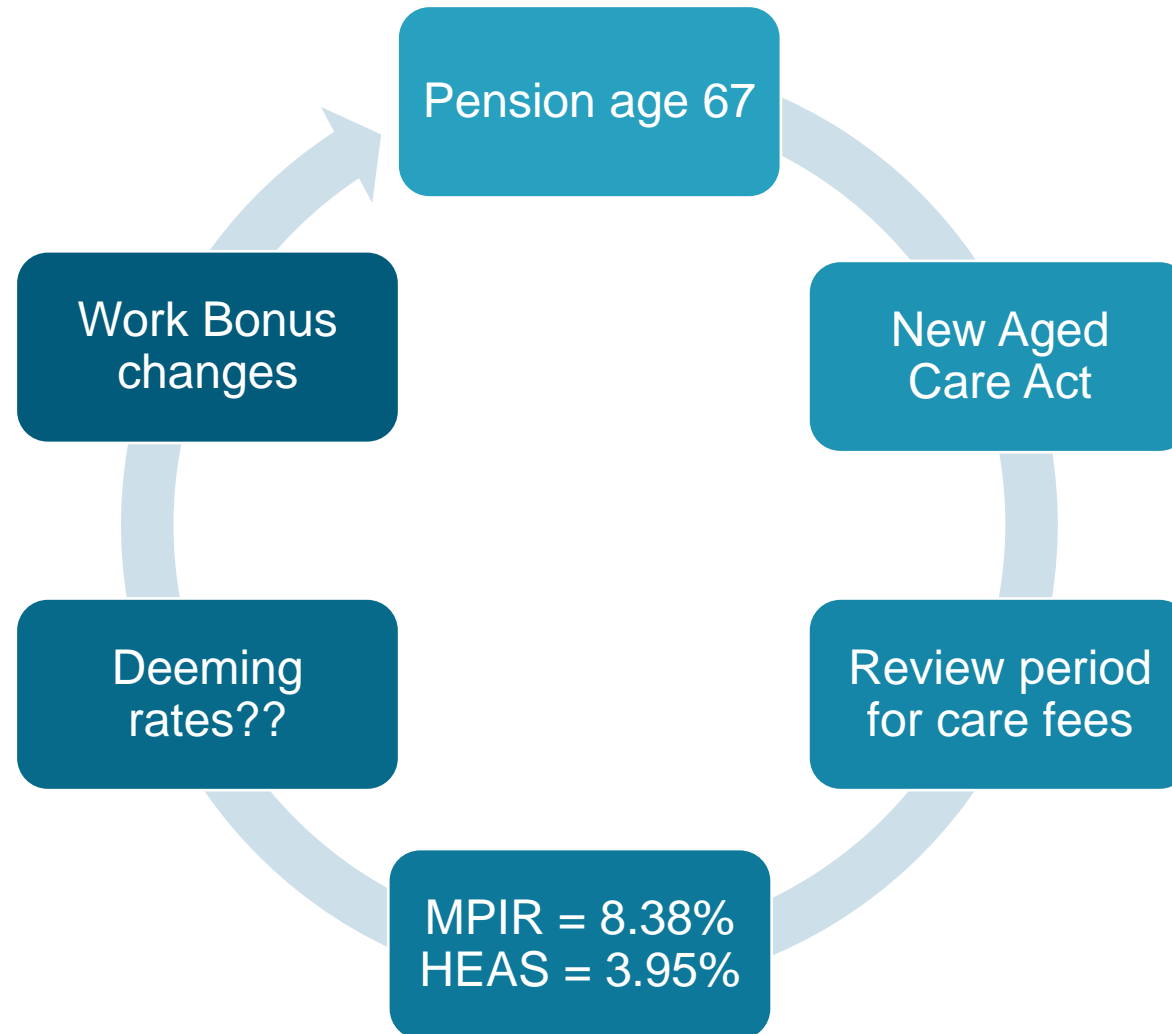
SMSF Association CEO
SMSF Association National Conference – 22-24 February 2023

- But....we are still waiting for something!

CENTRELINK AND AGED CARE



CENTRELINK AND AGED CARE – THE LATEST NEWS



WORK BONUS CHANGES – COMMENCED 1 JANUARY 2024

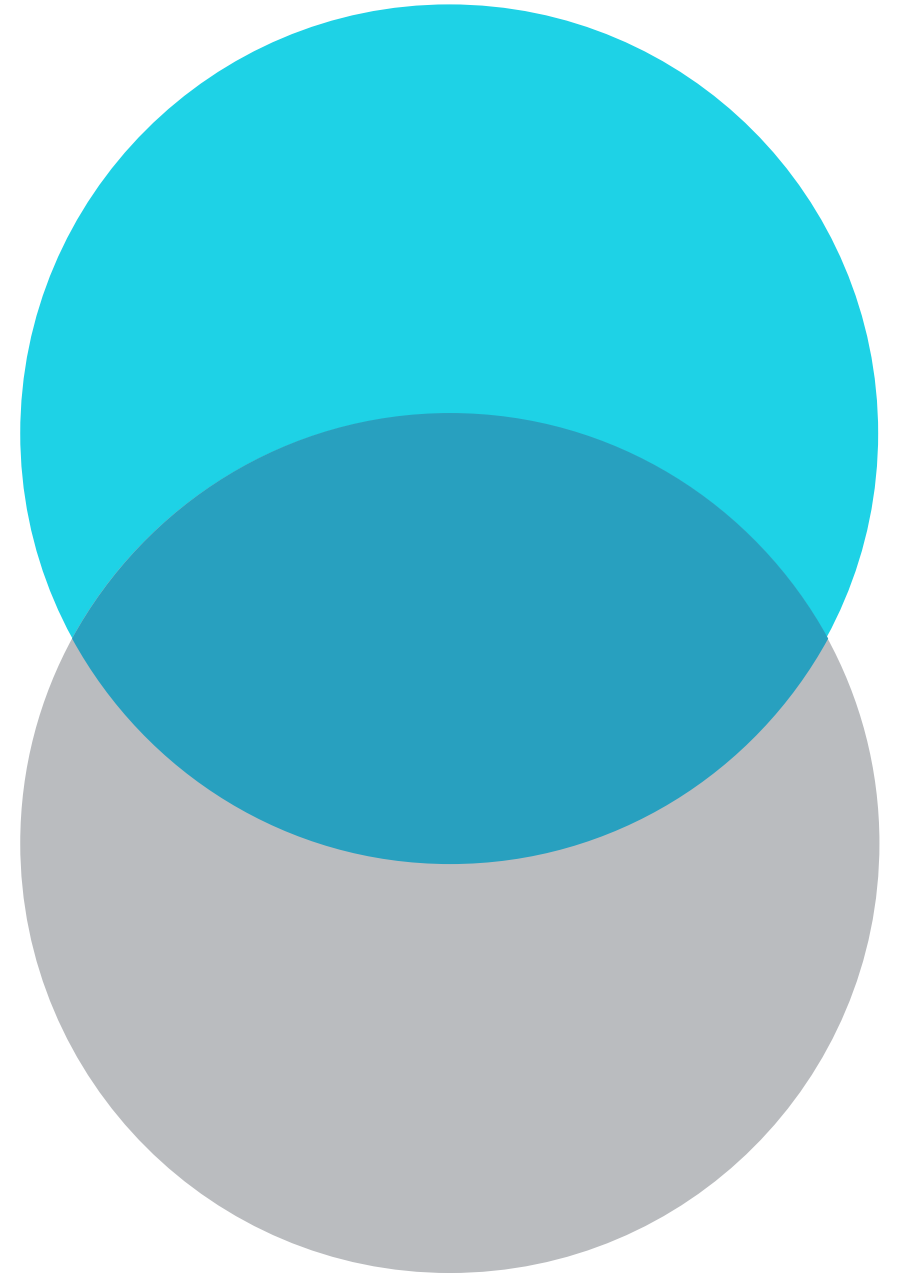
	Previous Rules	Effective 1 January 2024
Exempt employment income	\$300 per fortnight	\$300 per fortnight
Work Bonus Income Bank	Maximum \$7,800	Maximum \$11,800
Income Bank starting balance	\$0	\$4,000

Example: Judy (single) has recently turned 67 and is about to apply for the Age Pension. She is a self-employed piano teacher earning \$800 per fortnight.

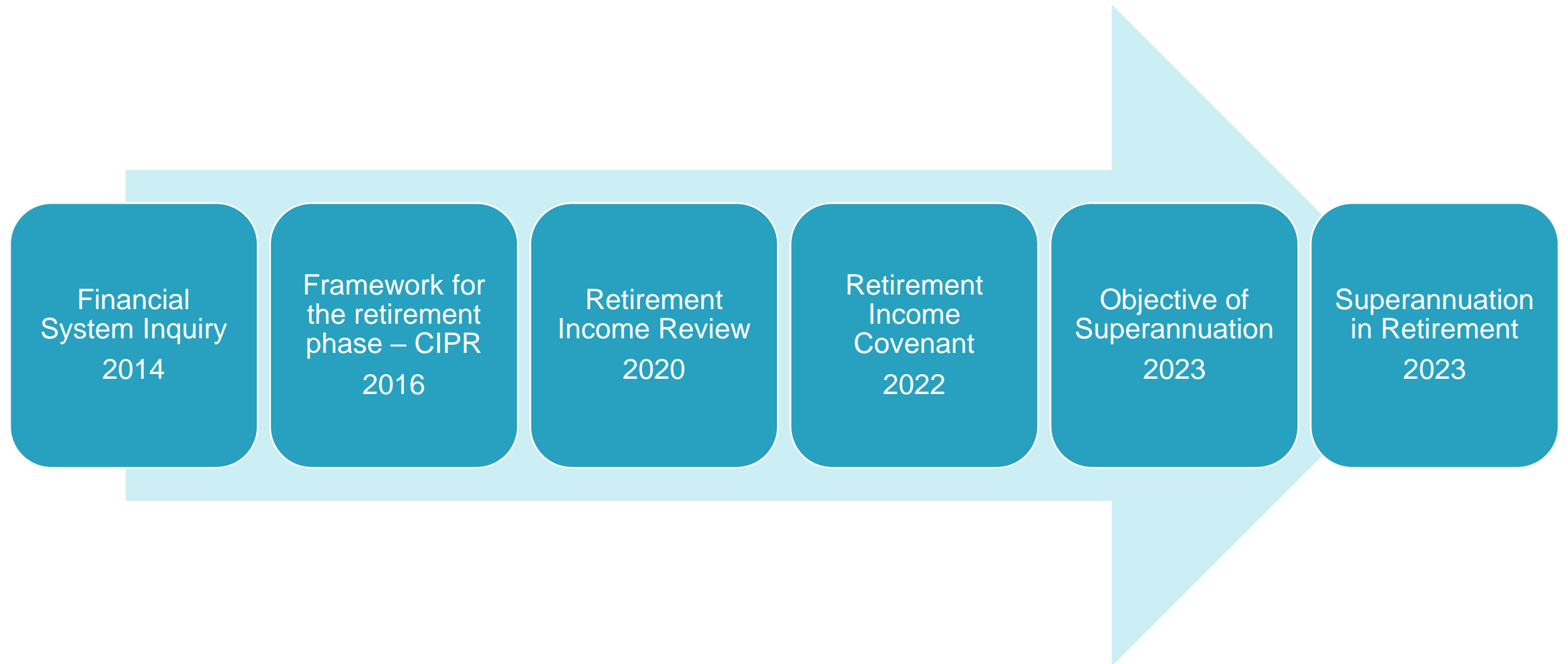
Judy will have a starting balance of \$4,000 in her work bonus income bank PLUS she receives the \$300 per fortnight work bonus exemption.

Her self-employed income will not impact her Age Pension under the Income Test for **EIGHT** fortnights. After her income bank reduces to \$0, \$500 per fortnight will be assessed under the Income Test

RETIREMENT PHASE OF SUPER



RETIREMENT PHASE OF SUPER



THE RETIREMENT CHALLENGE

Clients want to:

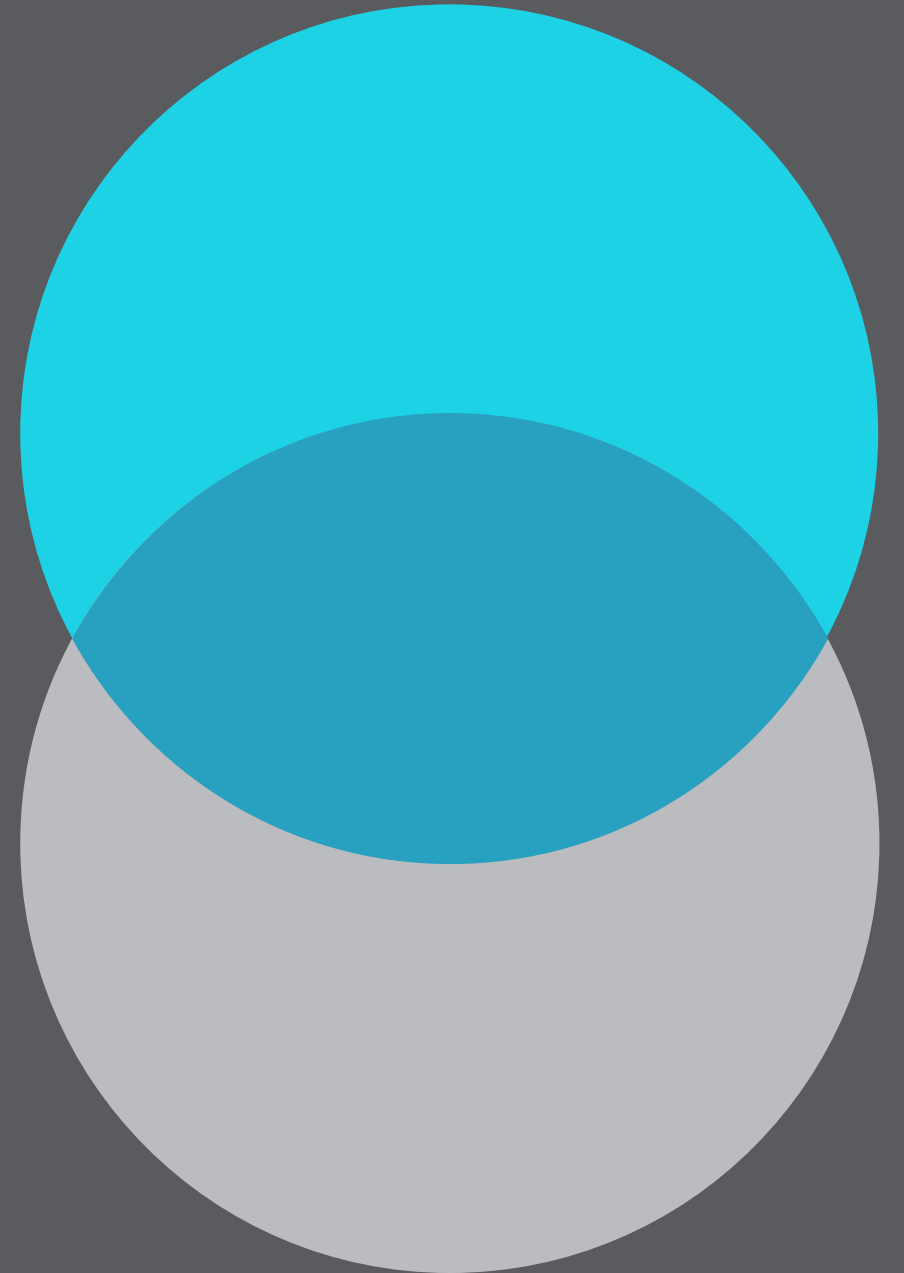
- Access to accurate, understandable information
- Maximise their retirement income
- Have access (to some) capital
- Manage longevity risk

“the nastiest, hardest problem in finance is longevity... running out of money in retirement.”

William Sharpe
1990 Nobel Memorial Prize in Economic Science

THANK YOU

Questions



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