

Issues related to Superannuation

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- ❖ **Self-Managed Super Funds**
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Topics covered

1. Downsizer contributions

2. Concessional contributions catch-up provision

3. The Work Test exemption for voluntary superannuation contributions

Downsizer contributions



Downsizer contributions



What are they?

Downsizer contributions provide the opportunity for eligible individuals to make contributions to their superannuation fund from the earnings obtained from the sale of their home.



Who is eligible?

Individuals aged 65 and over.



Why make a downsizer contribution?

It's a way to increase superannuation entitlements by:

- Operating as a separate cap to concessional contribution and non-concessional contributions cap.
- Removing the total superannuation balance restriction.
- Making the 'work test', which usually applies to voluntary contributions, not applicable.
- Not including an upper age limit.



Conditions for eligibility: Aged 65+ can make a contribution up to \$300,000 individually or up to \$600,000 per couple from sale of main residence to superannuation fund without affecting standard contribution caps.

Dwelling must have been owned by individual, spouse/former spouse for at least 10 years.

Ownership interest must be held by individual/spouse at time of disposal.

Contribution can't exceed capital proceeds from sale of ownership interest in the dwelling.

Any capital gain or loss must be fully or partially exempt from CGT under main residence exemption.

Contract for disposal of ownership interest must have been entered into on 1 July 2018 or later.

Downsizing Contributions into Superannuation
Effective from 1 July 2018

Contribution of home sale proceeds into super



65+
Australians
at the time you make
a downsizer contribution

Principle Home
owned at least 10 years
sold on or after 1 July 2018

up to **\$300,00**
as an individual from the sale
of their home into super

up to **\$600,000**
as a couple from the sale
of the same house into super

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***Concessional Contributions
Catch-up Provision***



What is the concessional contributions catch-up provision?

It's a facility that provides those who didn't have the capacity to contribute up to their concessional contributions cap in preceding years, with the opportunity to make catch-up contributions and add to their superannuation balance.



2018/2019 is the first financial year (effective 2020 income year), you can carry forward unused contribution concessions.

What are the benefits associated with catch-up concessional contributions (CCC)?

Opportunities to save tax and deliver additional retirement savings.



- ❖ CCCs have the most positive impact when they are combined with personal deductible contributions.
- ❖ The provision may be especially helpful if your income changes year to year, as you can decide to take this option in your higher income years.
 - ❖ *E.G. if you have an interrupted work pattern, or take a career break or parental leave, are a business owner.*

What conditions do you need to meet?

- Your total superannuation balance at end of June 30 of the financial year prior to the year of contribution has to be less than \$500,000.
- Your concessional contributions were less than the \$25,000 annual cap.
- If you meet these conditions you may be able to carry forward unused cap amounts for up to 5 years.
- This means that for 2019/20, only 2018/19's unused cap can be used along with the current year.
- By 2022/23, 2018/19, 2019/20, 2020/21 and 2021/22's unused cap can be used along with the current year.



NOTE

- *Individuals aged 65-74 years will still need to meet the work test.*
- *Amounts carried forward that have not been used after 5 years will expire.*
- *Only unused amounts accrued from 01 July 2018 can be carried forward.*

The Work Test exemption for voluntary superannuation contributions



The Work Test



Usually, individuals aged 65-74 must satisfy a work test before their superannuation fund can accept voluntary contributions.

It means you have to have been gainfully employed/self-employed for at least 40 hours within a 30 consecutive day period.

The Work Test Exemption

A one off, once only opportunity to make voluntary contributions in the income year after retirement to allow recent retirees to boost their superannuation savings.

Applies to contributions made after 1 July 2019 – from the 2020 income year.



How does the work test exemption work?

Available to individuals aged 65-74 whose total superannuation balance is less than \$300,000.

For eligible individuals who don't satisfy the work test in the income year in which the contribution is made (i.e. not gainfully employed by the time the contribution was made in the income year).

Over 74?

- *The only contributions your fund can accept are mandatory employer contributions and downsizer contributions.*

Some points to note



Passive income does not count towards the contributions i.e. rent, dividends, interest.

The existing concessional contribution cap of \$25,000 and the non-concessional contribution cap of \$100,000 still applies in terms of the amount that can be contributed.

James Wood and his team are happy to help you with any questions or issues you may have , provide you with related advice and are available by appointment.



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