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From the Technical Service Team
Fiducian Financial Services

Top 10 tips for EOFY 2015 -16

While financial planning is a year-round process, extra benefits can be gained by acting before the end of a financial year and by putting things in place for the next financial year.

Here are the top 10 tips that may benefit you.

1 Maximising superannuation contributions

It's time to review contribution types and amounts to ensure contributions have been optimised for the current financial year and that caps have not been exceeded. Contribution caps for the 2015-16 financial year are:

- Concessional: $30,000 or $35,000 for members who were aged 49 or over on 30 June 2015
- Non-concessional: $180,000 or $540,000 for individuals under age 65 on 1 July 2015 using the bring-forward provisions

Note: While technically the above non-concessional cap still applies, the 2016 Federal Budget proposed the introduction of a $500,000 non-concessional lifetime cap to apply from 7:30pm on 3 May 2016. This cap applies to all non-concessional contributions made from 1 July 2007 onwards. This cap is subject to legislation being passed and will not be implemented until after the Federal election on 2 July 2016. This cap must be considered before recommending further superannuation contributions and it may be prudent to hold off on making contributions until further information is known.

2 Making a non-concessional contribution to superannuation to qualify for the Government co-contribution of up to $500

Making a non-concessional contribution to superannuation may entitle a member to a Government co-contribution of up to $500. The Government co-contribution is paid where an eligible member's total income for the 2015-16 financial year does NOT exceed $50,454, the contributing member was less than 71 years of age at 30 June 2015 and at least 10% of their income is generated from eligible employment activities or carrying on a business.

Given that an annual cap applies to the amount which can be contributed to superannuation, it is important to note that the amount a member contributes will count towards their non-concessional contribution cap. However the amount of the Government co-contribution does NOT count.

3 Contributing to a spouse's superannuation account to qualify for a tax rebate of up to $540

Contributing money into a spouse's superannuation account can help reduce the gap between a couple's retirement savings and can also provide a tax rebate of up to 18% to the contributing spouse (18% of first $3,000 contributed, maximum offset of $540).

The tax rebate applies where the receiving spouse has total income of under $13,800. This also includes who are not in paid work spouse. Any amount contributed counts towards the receiving spouse's non-concessional contribution cap. So, it is important to assess the amount of non-concessional contributions made in the past for the receiving spouse to ensure the contribution will not result in them exceeding the cap.

4 Contribution splitting

Contribution splitting is an effective strategy to re-distribute superannuation monies to a spouse who has a lower superannuation balance. The member can split up to 85% of their last year's concessional contributions (up to the concessional cap) with their spouse. Non-concessional contributions CANNOT be split.

The transfer from the member's superannuation to the spouse's superannuation can generally only be done in the year after the one in which a contribution was made. In addition, any amount split does NOT count towards the receiving spouse's concessional or non-concessional contribution caps.

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5 Commencing an income stream in June

Where superannuation money is used to buy an income stream in June, no pension payment is required to be drawn in that financial year. In addition, where a client is turning age 60 in the next financial year, starting an income stream in June will enable them to defer their first pension payment until they turn age 60, when the pension payments and any lump sum drawdowns will be tax-free.

6 Re-starting member's transition to retirement (TTR) pension before 30 June

Where salary sacrificing has been recommended as part of the member's TTR strategy, combining the amount salary-sacrificed during the year with the member's pension account and re-starting the TTR pension will help to maximise the amount that can be invested in the tax-free investment earnings environment.

7 Gifting

From 1 January 2017, lower assets tests' limits apply to the Age Pension. Up to $10,000 can be gifted each financial year, subject to a maximum of $30,000 over 5 years.

8 Pre-paying tax deductible expenses

Pre-paying tax deductible expenses before the end of the financial year may allow clients to include these expenses in their 2015-16 tax return. Examples of tax deductible expenses include:

- premiums for income protection insurance held outside of superannuation environment
- interest payments on investment loans
- the cost of maintenance and repairs to investment properties.

9 Tax deduction for superannuation guarantee

Employers must ensure the superannuation guarantee and salary sacrificed amounts are paid before 30 June to enable deductibility in this financial year. Although employers can pay the superannuation guarantee by 28 July 2016 and avoid the surcharge, the deduction will NOT be available until the tax year in which it is actually paid.

10 Managing capital gains tax (CGT)

There are a few ways of managing the CGT if an asset that was sold during the 2015-16 financial year triggered a capital gain. This includes:

- selling assets that trigger a capital loss before 30 June 2016 so the loss can be offset against capital gains realised in the financial year.
- making a tax deductible contribution to superannuation before 30 June 2016 if the 10% rule is met. The contribution will count towards the member's concessional contribution cap.

For more information contact your financial planner.