

# Super eUpdate – budget edition

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On 12 May 2009 Treasurer Wayne Swan delivered his second Federal budget. Despite rumors about significant superannuation reform, the proposed changes to super in this budget have not been as extensive as first assumed. However, further changes may occur in the future as the result of government tax reviews.

The changes in the budget affecting super are mainly to the concessional and non-concessional contribution caps and the way the government co-contribution works. There are no immediate changes to your employer super obligations.

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## Concessional contributions caps halved

### From 1 July 2009

The Government has announced a reduction in the annual concessional contributions cap to \$25,000 (indexed). The annual transitional cap of \$100,000 for individuals age 50 and over will be halved to \$50,000 and will remain in effect until 30 June 2012.

'Grandfathering' arrangements will apply for certain members of defined member schemes as at 12 May 2009 whose notional taxed contributions would otherwise exceed the reduced cap. Similar arrangements were applied when the concessional contribution cap was first introduced.

The concessional contributions cap includes employer contributions (including salary sacrifice contributions) and personal contributions for which a tax deduction has been claimed. Amounts over the concessional contributions cap will be taxed at 46.5% (15% contributions tax plus an additional 31.5%) and count towards the member's non-concessional contribution cap (see below).

### What does this mean for your employee's super?

Members with additional employer contributions, including salary sacrifice, should take note of the changes and ensure that they are not paying additional tax by having their reduced concessional contributions cap exceeded.

Age as at 30 June 2010	Contributions cap 2008/09	Concessional contributions cap 2009/10
Under age 50	\$50,000	\$25,000
At least age 50	\$100,000	\$50,000

## Non-concessional contributions

### From 1 July 2009

The annual non-concessional contributions cap is proposed to be six times the annual concessional contributions cap. This will result in a proposed annual non-concessional contributions cap of \$150,000 for the 2009/10 financial year.

Non-concessional contributions are not subject to tax in the superannuation fund. They include: personal contributions for which no tax deduction has been claimed, and spouse

contributions. A non-concessional cap applies to these contributions before additional tax is charged, with some exceptions. If under age 65 at any time during the financial year, larger contributions can be made by bringing forward two years contributions.

### What does this mean for your employee's super?

Those members who make after-tax (non-concessional) contributions should take note of the changes and ensure that they are not unintentionally paying additional tax.

	Non-concessional contributions limits 2008/09	Non-concessional contributions limits 2009/10
Annual cap	\$150,000	\$150,000
Maximum with 3-year averaging	\$450,000	\$450,000

## Government co-contributions

### From 1 July 2009

The Government has proposed a temporary reduction to the matching rate and maximum co-contribution payable on an individual's non-concessional contribution. This temporary measure begins from the 2009/10 financial year and ends in the 2013/14 financial year.

The table below highlight the changes for the 2009/10 to 2013/14 financial years.

### What does this mean for your employee's super?

Eligible members will continue to receive the co-contribution, however at a reduced rate. The maximum co-contribution amount is set to return to its current level from 2014.

The government co-contribution is still an effective way to boost superannuation and retirement savings for low and middle income earners and is still up to 150% of the contribution for the 2008/09 financial year.

	Lower income threshold	Higher income threshold	Matching rate	Maximum entitlement
From 1 July 2008	\$30,342	\$60,342	Up to 150%	\$1,500, reduced by 5c for every dollar earned over \$30,342 up to \$60,342
From 1 July 2009	\$31,920	\$61,920	Up to 100%	\$1,000, reduced by 3.333c for every dollar earned between the lower and upper income thresholds
From 1 July 2012	Indexed prior year's threshold	Lower income threshold plus \$30,000	Up to 125%	\$1,250, reduced by 4.167c for every dollar earned between the lower and upper income thresholds
From 1 July 2014	Indexed prior year's threshold	Lower income threshold plus \$30,000	Up to 150%	\$1,500, reduced by 5c for every dollar earned between the lower and upper income thresholds

## No changes to Superannuation Guarantee rate

### From 1 July 2009

Despite calls from industry groups and experts, the government has not raised the Superannuation Guarantee, remaining at 9%. Generally, an employer pays 9% of the employee's ordinary time earnings into superannuation at least every quarter.

### What does this mean for your employee's super?

Many experts agree that many Australian's will require more than 9% of their earnings to support a comfortable retirement and member's may wish to consider talking to a financial adviser to ensure their superannuation savings will be adequate for their retirement goals.

## Small and lost superannuation accounts

### From 1 July 2010

The Government will require superannuation funds to transfer lost accounts with balances less than \$200 and those which have been in-active for a period of five years to unclaimed money. This will help reduce the national issue of lost accounts.

### What does this mean for your employee's super?

Members who have duplicate super accounts from previous employers may wish to consolidate their super before any accounts are sent to the government.

## Increase in the Age Pension age

### From 1 July 2017

The qualifying age for the Age Pension will increase from 65 to 67 between 1 July 2017 and 1 July 2023. Everyone born after 1 January 1957 will therefore have an age pension age of 67.

Date of birth	Age	Earliest date of eligibility
1 July 52 – 31 Dec 53	65.5	1 January 2018
1 Jan 54 – 30 June 55	66	1 January 2020
1 July 55 – 31 Dec 56	66.5	1 January 2022
1 Jan 57 and later	67	1 January 2024

### What does this mean for your employee's super?

Members may wish to review their superannuation and retirement plans with their financial adviser.

## Clarification of Superannuation Guarantee (SG) on parental leave payments

### Yet to be formalised

The government has announced that it intends to clarify the superannuation guarantee status of certain kinds of leave payments including parental leave. Further information is expected after the completion of a comprehensive review on paid parental leave in 2013.

## Australia Future Tax System Report

### Yet to be formalised

In addition to handing down the Federal Budget, the Government released the Australia Future Tax System (AFTS) Report on the retirement income system.

The report has made numerous recommendations regarding superannuation taxation and preservation age. The Government has agreed to some but has deferred making a decision on others until further examination.

### What does this mean for your employee's super?

The report may include further changes to the superannuation and retirement system that will require members to review their plans for retirement.

## Contact us

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## Financial advice

If your employees would like to discuss the potential impacts of any federal budget changes on their personal situation they should speak to a financial adviser.

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