



JUNE 2007 REPORT SUPERANNUATION CHANGES

1. TAXATION OF BENEFITS

- **60 or older** - Benefits paid from a taxed source as a lump sum or a pension will be tax free.
- **Reasonable Benefits Limits (RBLs)** – abolished. (Cap on the amount of Superannuation benefits you can receive on a concessional-taxed basis).
- **Super Paid before 60** – Superannuation paid before the age of 60 will be taxed as now.
- **If a person takes their superannuation benefits before they are 60** – Lump sum will have 2 components – exempt and a taxable component.

Exempt Component	Taxable component
Tax free – comprise pre-July 83 Component; CGT exempt component; post-June 1994 invalidity component; concessional component and undeducted (post tax) contributions.	Current post-July 1983 component and nonqualifying component. Tax free up to low-rate threshold (\$140,000 in 2006/2007) <ul style="list-style-type: none">➤ Amounts above threshold taxed at 15%➤ Under 55 years – rate of tax 20%

- Pension payments for people under 60 years will be taxed under the current arrangements although tax will be lower in some cases
- The full superannuation pension rebate of 15% will apply to all pensions paid from a taxed fund to a person who is aged 55 – 59 years.





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- **Minimum benefits payable** – Once you start a pension, a minimum amount is required to be paid as a benefit each year to ensure your capital is generally drawn down over time. (No maximum amount).
- Superannuation law will no longer require your benefit to be paid at a certain age. Your payments are subject to the rules of your particular fund.

2. CONCESSIONAL (DEDUCTIBLE) AND NON-CONCESSIONAL (NON-DEDUCTIBLE CONTRIBUTIONS)

Definitions – Concessional (previously deductible) – Contributions to super that are made before tax is taken out of your wage. Includes superannuation guarantee contributions made by employers, salary sacrifice contributions and contributions made by the self – employed for which they can claim a tax deduction. These contributions are taxed at a lower “concessional” rate of 15%.

Non-Concessional (Previously non-deductible) – These are amounts that count toward your non-concessional contributions cap ie personal contributions which are not claimed as a tax deduction.

Age-based limits – In 2006 – 2007 year there is a limit on the amount of super contributions that you can claim as a deduction. Replaced by contributions caps from 1 July 2007.

- **Age-based limits** on concessional contributions abolished. (From 1 July 2007).
- **Limits (Concessional)** – From 1 July 2007 this limit on concessional contributions is \$50,000 a year for those less than 50 years of age (Concessional contributions cap). You will be taxed on concessional contributions over the \$50,000 cap at a rate of 31.5%.

If you are over 50 the limit on concessional contributions is \$100,000 a year between 1 July 2007 and 30 June 2012. You will be taxed on concessional contributions over the \$100,000 cap at a rate of 31.5%.

- **Limits (Non-concessional)** – From 1 July 2007, non-concessional contributions will be limited to \$150,000 a year. This is called the non-concessional contributions cap. You will be taxed on non-concessional contributions over the limit at the rate of 46.5%. (You can make up to \$450,000 non-concessional over 3 years under age of 65).
- Employers will be able to claim a full deduction for all contributions to

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superannuation on behalf of individuals under the age of 75. The Superannuation Guarantee will continue to apply only until the age of 70.

- **10 May 2006 to 30 June 2007 ONLY – Transitional cap of \$1 million on non-concessional contributions.** You can contribute up to 1 million in non-concessional contributions. You will be taxed at 46.5% on non-concessional contributions in excess of the transitional \$1 million cap.
- **Work Test for non-concessional contribution (65 -74)** – To make non-concessional contributions to super, you must be aged 65 -74 and meet the work test each year a contribution is made.

To satisfy the work test you must work for at least 40 hours during a consecutive 30 day period each financial year.

Work test does not apply if you are < 65.

Once you turn age 75 you are generally unable to make any super contributions. However your employer may be required to make employer contributions.

3. TAX – FILE NUMBER

- From 1 July 2007, personal contributions you intend to deduct and employer contributions made to new super accounts without a tax file number will be taxed at additional 31.5%.

4. TRANSFER OF ASSETS TO SUPERANNUATION FUND

- **Investment property.** – If sell investment property and there is a Capital Gain, you may have to pay Capital Gains Tax. You can't transfer or sell your residential investment property into your self managed fund.
- **Managed funds and shares** – If you sell your managed funds and there is a capital gain, you may have to pay capital gains tax. You may be able to transfer your managed funds or shares into your self managed superannuation fund in some cases. These will be acquired by the superannuation fund at market value and you may have to pay Capital Gains Tax.





5. SELF -EMPLOYED

Definitions – Superannuation co-contribution – A payment made by the government your super fund. The government pays \$1.50 for every \$1 you make in personal contributions for which you have not claimed a tax deduction, up to a maximum of \$1,500. The payment reduces by 5 cents for every dollar you earn over \$28,000.

- **Deductions for contributions** – From 1 July 2007, the self-employed will be able to claim a full deduction for personal contributions to superannuation until age 75.
- **Superannuation Co-contribution** – From 1 July 2007, Eligible self-employed persons will have access to the Government co-contribution scheme.
- **Post-June 94 invalidity component** – will be extended to self employed from 1 July 2007

5. ELIGIBLE TERMINATION PAYMENTS (ETPs)

- **Reasonable Benefit Limits** – Abolished from 1 July 2007
- As superannuation benefits paid to those over age 60 will be tax free, ETPs will *not* be able to be rolled over into super from 1 July 2007. Transitional arrangements will be in place for existing employment contracts as at 9 May 2006, provided payment is made prior to 1 July 2012.
- **2 Components** – Tax free and taxable component
- **Tax free component.** – Any post-June 1994 invalidity amount and pre-July 1983 amount.
- **Taxable component**

Your age	Tax on taxable component from 1 July 07
Under preservation age (55 at present)	- Taxed at 30% up to a maximum of \$140000 - >\$140,000 – Taxed at top marginal rate + medicare levy
Over preservation age	Taxed at 15% up to a maximum of \$140000 + medicare levy - >\$140,000 – Taxed at top marginal rate





6. DEATH BENEFIT ETPS

- **Dependants** – From 1 July 2007, the taxable component of employment termination payment paid to a dependant that is within the recipient’s cap on concessional tax employment termination is tax-free. The remainder of taxable component (if any) will be taxed at top marginal tax rate plus medicare.
- **Non-dependants** – From 1 July 2007, the taxable component of a death benefit ETP paid to a non-dependant that is within the recipient’s cap on concessional tax ETP will be taxed at a maximum of 30%. The remainder of the taxable component (if any) will be taxed at top marginal tax rate plus medicare levy.

7. SELF MANAGED SUPERANNUATION FUNDS

- **Annual Return** – For the 2007-2008 financial year trustees of self managed super funds (SMSFs) will only have to lodge a single annual return with the Tax Office. This new return replaces the income tax and regulatory return and the member contribution statement. The SMSF annual return will also collect the supervisory levy (Will increase from \$45 to \$150 per year from 1 July 2007).
- **Trustee Declaration** – From 1 July 2007, all new trustees of self managed super funds will be required to sign a declaration and keep it with their fund records. This will be signed in the approved form no later than 21 days after becoming a trustee or director. You don’t need to send it to the ATO but keep it so it is available upon request.
- **Change in details form** – must be sent to ATO if any changes made to SMSFs.

8. AGE AND SERVICE PENSIONS

- **Pensions assets test taper rate** – Will be halved from 20 September 2007 so that pension recipients will lose \$1.50 per fortnight, (rather than \$3 per fortnight), for every \$1,000 of assets over the relevant threshold.
- **Assets test exemption for purchased complying income streams** – removed for income streams purchased on or after 20 September 2007.
- **Income Test** – no change.

