

SUPER NEWS Superannuation Update

SUPERANNUATION CONTRIBUTIONS

SUPERANNUATION CONTRIBUTION LIMITS ARE ON THE MOVE AGAIN AFTER THE GOVERNMENT'S PROPOSED CHANGES HAVE BEEN PASSED THROUGH THE SENATE

The government's announced changes to increase concessional contribution limits to \$35,000 for members over 60 years from 1 July 2013 and for members over 50 years from 1 July 2014 has recently received royal assent. The government has also passed legislation that puts in place a 30% contributions tax rate for Australians earning over \$300,000, which is effective for the 2012/13 tax year. Amendments to the taxation of excess contributions have also recently been passed which remove the excess contribution tax in relation to excess concessional contributions and instead provides for excess concessional contributions to be included in an individual's assessable income and subject to a charge to account for the deferral of tax. Other changes in place will affect the rate of government co-contributions and super guarantee contributions.

Concessional Contribution Limits 2013/14

From 1 July 2012, the concessional contribution cap was \$25,000 regardless of your age. From 1 July 2013, the concessional cap for individuals aged 59 and over will be raised to \$35,000, and from 1 July 2014, the concessional cap for individuals aged 49 and over will be increased to the same level.

Year	Under 50 years*	50-60 years*	60 years and over*
2012/13	\$25,000	\$25,000	\$25,000
2013/14	\$25,000	\$25,000	\$35,000
2014/15	\$25,000	\$35,000	\$35,000

Table 1: Concessional Contribution Limits 2013/14

* age as at 30 June

Super Guarantee Contributions

From 1 July 2013, the upper age limit for employee SG eligibility (age 70) will be removed and Employers will be required to start making SG contribution for eligible employees aged 70 and over. SG rates will also be increased annually over the next six years, as shown in Table 2 - Super Guarantee Contributions.

YEAR	Current Legislated SG Rate	Coalition proposed SG Rate
1 July 2013	8.25%	9.25%
1 July 2014	9.50%	9.25%
1 July 2015	10.00%	9.25%
1 July 2016	10.50%	9.50%
1 July 2017	11.00%	10.00%
1 July 2018	11.50%	10.50%
1 July 2019	12.00%	11.00%
1 July 2020	12.00%	11.50%
1 July 2021	12.00%	12.00%

Table 2- Super Guarantee Contributions

Common issues in managing contribution caps

When managing your concessional contributions, it is important to consider the total of all your concessional contributions from the following sources:

- Employer contributions (ie; now 9.25%)

- Salary sacrificed contributions made by your employer on your behalf
- Employer paying certain expenses on behalf of your super (or your SMSF), for example, life insurance premiums for a superannuation policy
- Personal contributions that are made if you are self employed and are eligible to claim a deduction for those contributions in your personal income tax return.

While most employers will contribute the standard 9.25 % SG amount to the legislated limit, some employers may choose to contribute at a higher level. It is also important to take into account any changes in salary during the year, bonus payments, or if you have multiple employers, the multiple sources of SG contributions.

Another common issue is discovering that you are not eligible to claim a deduction for personal contributions made after you have contributed the maximum amount for concessional and non-concessional contributions. In order to be eligible to claim a personal contribution as a deduction, you must meet what is known as the '10% rule'. The 10% rule provides that where your adjusted taxable income ('ATI') attributable to salary and wages is less than 10% of your total assessment income. ATI is defined as salary and wages + reportable fringe benefits + salary sacrifice superannuation contributions (or contributions in excess of the 9.25%). Please contact us to discuss your particular circumstances to ensure that you are eligible for the deduction before you make any personal contributions. Every year your personal tax circumstances can change.

Non concessional contributions

Non-concessional contributions are contributions for which no tax deduction is claimed, and are treated as tax free contributions within the superfund. Non-concessional contributions are contributions made from your after tax income. The non-concessional contribution cap is \$150,000 per member per annum. Government co-contributions and small business capital gains deposited into super are not counted towards the non-concessional contribution cap.

If you are under the age of 65 years, you are able to utilise the 'bring forward rule' which allows non-concessional contributions up to a maximum of \$450,000 over a 3 year period. If you are in this category, you could contribute over \$150,000 (but not more than \$450,000) in one year, but would then be limited to the balance of the \$450,000 cap amount over the next two financial years.

Table 3: Non-Concessional contributions shows how the 'bring forward rule' can be utilised over a period of time.

Income tax year	Maximum annual non-concessional contribution	Maximum contribution using the bring forward	Maximum contribution using the bring forward	Maximum contribution using the bring forward
2014	\$150,000	\$450,000	\$150,000	\$350,000
2015	\$150,000	Nil	\$450,000	Nil
2016	\$150,000	Nil	Nil	\$100,000
2017	\$150,000	\$150,000	Nil	\$150,000

Table 3: Non concessional Contributions

Members age 65 and the Annual Work Test

Individuals aged 65 or over must satisfy an annual work test before being eligible to make contributions to superannuation each financial year. The annual work test isn't onerous, it determines your eligibility to make personal and/or salary sacrifice contributions whilst still working. It requires that you are gainfully employed for a minimum 40 hours within a 30 day consecutive period prior to making the contribution. Voluntary work is specifically excluded from meeting this test. Accordingly, if you are uncertain about meeting the definition of gainful employment, please contact us to discuss your circumstances.

Excess contributions

Previously, a penalty tax of 31.5% was applied to excess concessional contributions and counted towards the non-concessional contributions cap. From 1 July 2013, individuals who make excess concessional contributions can choose to have the contributions taxed at excess rates, or refunded back to the individual and taxed at their personal marginal rates (plus an interest charge). Where an individual chooses to have excess concessional contributions refunded, no excess concessional contributions are recorded, and do not count towards the individual's non-concessional contributions cap. If you are aged 65 or over, and have total non-concessional contributions and excess concessional contributions of more than the annual non-concessional cap of \$150,000, or if you are under the age of 65 and contribute more than \$450,000 over a three period (including excess concessional contributions), then you will be subject to an excess non-concessional contributions tax assessment. Additional tax at the rate of 47% will be paid on excess non-concessional contributions.

Higher contribution tax

The Senate has passed legislation that puts in place a 30% contributions tax rate for individuals with combined income and concessional contributions exceeding \$300,000, effective from the 2012/13 tax year. Concessional contributions made to a complying superannuation fund will be taxed at 15%, and an additional 15% tax will be imposed on the amount of combined income and contributions that exceeds \$300,000.

This is calculated as follows:

$$\text{ISP-RSC} + \text{LTC} > \$300,000 = 15\% \text{ on excess amount}$$

Where:

ISP = income for surchargeable purposes = taxable income, reportable fringe benefits, investment, loss and RSC

RSC = reportable superannuation contributions = salary sacrifice superannuation contributions

LTC = low tax contributions = concessional contributions less any excess concessional contributions

Below is an example:

	DAVID (\$)	BRUCE (\$)	Dale (\$)
ISP	321,000	291,000	266,000
RSC	6,000	6,000	6,000
LTC	25,000	25,000	25,000
ISP-RSC-LTC	340,000	310,000	285,000
LTC Subject to surcharge	25,000	10,000	
Total tax on contributions	7,500	5,250	3,750

Government co-contributions

If you are a low or middle-income earner, you may be able to take advantage of the super co-contribution and the low income super contribution. If you are eligible for the super co-contribution the Government will match your personal super contribution up to a maximum amount. From 1 July 2013, the matching rate has been reduced by 50%, resulting in a maximum super co-contribution of \$500. The income threshold limits are \$31,920 - \$46,920.

The low income super contribution (LISC) is a government payment that equates to 15% of an individual's concessional contributions. The maximum payment is \$500, and the minimum is \$20. To be eligible, your adjusted taxable income must not exceed \$37,000, and 10% of your total income must be derived from business or employment. Keeping track of contribution limits is your responsibility. It is important that you ensure the superannuation contribution arrangements you have in place with your employer(s) are within the contribution caps.

If you have any queries or require more information on your personal contribution situation, please contact a member of our staff.

At Messenger Murray Picello we believe that it is better to 'solve a problem before it occurs' than be put in a position of paying more tax than necessary.