



TALKING POINT!

WELCOME

Welcome to our latest edition of Talking Point! It has been a while since our last newsletter but there has not been much to report and we have been waiting for the various committees (Ripoll, Henry and Cooper) to report their findings to Government and then for Government to formalise its response.

In this edition, we are concentrating on the changes to superannuation announced as part of the Henry Tax Review and, even more recently, the 2010 Federal Budget. As you are aware, many of the proposed changes to superannuation announced as part of the Henry Tax Review are conditional on the "super profits resources tax" being passed by both Houses of Parliament. Therefore, we advise some caution with the proposals as they may not eventuate and, assuming they do, these initiatives may be subject to change through the legislative process.

Another factor is, of course, the Federal election later this year and this may, or may not, change the political landscape. The main changes announced as a result of both the first outcomes of the Henry Tax Review and the Federal Budget include:

- An increase in the Super Guarantee rate;
- An increase in the maximum Super Guarantee age;
- Introduction of Government super contributions for low income earners;
- Higher Concessional Contribution caps for certain individuals; and,
- Changes to the Government Co-Contribution scheme.

INCREASE IN THE SUPER GUARANTEE RATE – from 1 July 2013

From 1 July 2013 to 1 July 2019 the Government has announced that it will increase the Super Guarantee rate from 9% to 12% by two increases of 0.25% and five of 0.5%.

INCREASE IN THE SUPER GUARANTEE MAXIMUM AGE – from 1 July 2013

The Government has announced that from 1 July 2013 the Super Guarantee age limit will increase from 70 to 75 years. This is to provide an additional incentive for older workers to remain in the workforce.

INTRODUCTION OF GOVERNMENT CONTRIBUTIONS FOR LOW INCOME EARNERS – FROM 1 JULY 2012

The Government will pay an extra contribution for low-income earners to offset the contributions tax on concessional contributions. Whilst effective from 1 July 2012, the first contribution from the Government for the 2012/13 financial year will not be made until 2013/14.

The contribution will be 15% of the concessional contributions made by or for individuals on adjusted taxable incomes of up to \$37,000. The aim is to offset the 15% contributions tax on contributions, subject to a maximum contribution of \$500. This contribution is in addition to the current Co-contribution scheme (see below).



HIGHER CONCESSIONAL CONTRIBUTION CAPS FOR CERTAIN INDIVIDUALS – from 1 July 2012

Individuals aged 50 or over with total superannuation account balances of less than \$500,000 will be eligible for a higher concessional contribution cap of \$50,000 p.a. (indexed) from 1 July 2012. This extends the current concessional contribution cap of \$50,000 for those aged over 50 years, which is due to expire on 30 June 2012.

The higher cap will allow those with lower superannuation balances to “catch up”. There are some potential “planning” opportunities that may arise with this change i.e. contribution splitting, transition to retirement pensions, partial withdrawals etc, but these may be stymied depending on the eventual requirements as to how the \$500,000 will be assessed.

CHANGES TO THE CO-CONTRIBUTIONS SCHEME – 1 July 2012

The “temporary” changes to the Co-contribution scheme announced in last year’s Federal Budget have been scrapped and the legislated future increases back to a maximum co-contribution of \$1,500 will not proceed. The maximum rate of co-contribution will be capped at \$1,000. The current income thresholds of \$31,920 (lower) and \$61,920 (the cut-off level) will remain fixed for the next two financial years (i.e. 2010/11 and 2011/12).

REMINDER – “RESC” AND PAYMENT SUMMARIES

In the May 2008 Federal Budget, the Government indicated that it would widen the definition of “income” used when working out eligibility for various taxation and superannuation concessions and government benefits. The “income” definition included, amongst other things, Reportable Employer Superannuation Contributions (“RESC”).

The definition of RESC to be included in the income definitions is made up of two components:

- The person’s personal contributions (if any) that are tax deductible; plus
- Contributions made for the person by an employer typically referred to as salary sacrifice contributions.

In particular RESC does not include contributions the employer makes for an employee in order for it to meet the employer’s Super Guarantee obligations.

As a reminder, RESC must now be reported on individual employee’s payment summaries for the financial year ending 30 June 2010 and beyond.

FOR FURTHER INFORMATION

If you are interested in finding out more about superannuation, please contact Northbridge Financial Solutions Pty Ltd (“NFS”). Northbridge Financial Solutions (AFS Licence No 283108) is authorised under the licence of ComCorp Financial Advice Pty Ltd (AFS Licence No 331367, ABN 89 133 593 012), is a specialist provider of financial advisory services to corporate superannuation funds and their members.

Contact NFS on (02) 9929 2700, e-mail us at info@northbridgeadmin.com.au or visit our website www.northbridgeadmin.com.au.

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