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Did you know?

For the financial year ended 30th June 2007, 1.2 million Australians received a super co-contribution. The total amount of the Government's co-contribution exceeded \$1,931 million.

Source: Australian Taxation Office



Year end Superannuation tips

With the end of the financial year fast approaching, it is perhaps a timely opportunity to revisit some of the superannuation opportunities available.

Concessional contributions

Concessional contributions are contributions that are tax deductible to the contributor. The tax deduction available for the 2007/08 financial year is 100% of the contribution made.

An employer can generally claim a deduction for contributions made on behalf of eligible employees. This includes the 9% contribution made under the Superannuation Guarantee scheme, and contributions made under a salary sacrifice arrangement between the employee and their employer.

Self employed and substantially self-employed people may also claim a tax deduction for contributions they make to a superannuation fund. A substantially self employed person is one who receives less than 10% of their income, plus reportable fringe benefits, from employment.

Whilst a tax deduction of 100% of the contribution made, irrespective of the amount contributed may be claimed, there is a cap on the amount of contribution that receives concessional tax treatment inside the super fund to which the contribution is being made. Tax deductible (concessional) contributions are taxed as income of the super fund. They are taxed inside the super fund at a rate of 15% - *this is referred to as "contributions tax"*.

Since 1st July 2007, concessional contributions have been capped at a maximum of \$50,000 per person, per financial year. For those people aged 50 and over, the transitional cap that applies until 30th June 2012 is \$100,000 per person per year.

Contributions that exceed the relevant cap of either \$50,000 or \$100,000 are taxed at a rate of 46.5% and are counted against the members non-concessional contribution cap.

Non-concessional contributions

A non-concessional contribution is one for which a tax deduction is not being claimed.

These are generally made up of personal contributions made by individuals. An employer is unable to make a non-concessional contribution on behalf of their employees.

For the 2007/08 financial year, non-concessional contributions are capped to a maximum of \$150,000 per person, per year. However, there is an opportunity for those aged under 65 to bring forward up to three years concessional contributions and make a non-concessional contribution of up to \$450,000. This opportunity is available up until the end of the financial year in which the contributor turns 65. Where this "averaging" opportunity is used and the full \$450,000 is contributed in the current year, no further non-concessional contributions can be made for the next two years.

Non-concessional contributions are not subject to the 15% contributions tax within the receiving super fund but if the relevant cap (\$150,000 or \$450,000) is exceeded, the excessive contribution will be taxed at 46.5%.

Contributions for those aged between 65 & 74

Contributions can be made by or on behalf of people aged between 65 and 74 provided a "work test" is met. The work test requires a person aged between 65 and 74 to be employed or self-employed for gain or reward, for a period of at least 40 hours worked over not more than 30 consecutive days in the financial year in which the contribution is to be made.

Once the work test has been met in a given financial year, contributions may be made up until the end of that financial year.



When applying the work test in practice, employment or self-employment must be engaged on a bona-fide basis. For example, spending a few hours each day managing an investment portfolio, or engaging in voluntary work, will generally not satisfy the work test.

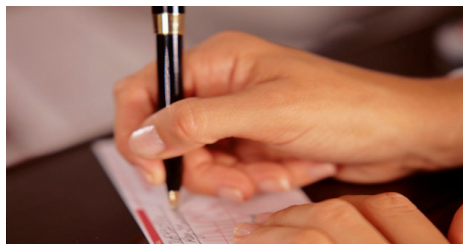
Superannuation contributions

Contributions made under the superannuation guarantee scheme are counted against a member's concessional contribution cap in the financial year in which the contribution is made. As the contributions for the June 2007 quarter were not required to be paid until 28th July 2007, where such contributions were not paid until after 1st July 2007, they will be counted against the member's concessional contribution cap in the 2007/08 financial year. This may be an issue for people who have maximised contributions under a salary sacrifice arrangement in the current financial year.

Even though Superannuation Guarantee contributions for the June 2008 quarter do not have to be made until 28th July 2008, in order to be able to claim a tax deduction in the current financial year, these contributions should be made before 30th June 2008.

Co-contribution

Where a person makes a personal non-concessional contribution to a superannuation fund, they may be eligible to receive a further contribution from the Government. The Government will contribute up to \$1,500 for eligible people.



To be eligible for the Government co-contribution, the following requirements must be met:

- A non-concessional contributions must be made to a complying superannuation fund before 30th June 2008.
- Total income must be less than \$58,900.
- At least 10% of income must be derived from employment or self-employment.
- You must be less than 71 years of age at the end of the financial year.

- You did not hold an eligible temporary resident visa at any time during the financial year.

The maximum co-contribution of \$1,500 is payable when a person's income is less than \$28,900 and they make a non-concessional contribution of \$1,000.

Spouse contributions



Where a person makes a contribution to superannuation for their spouse, they may be eligible for a tax offset of up to \$540.

To be eligible, the spouse for whom the contribution is made must have an income of less than \$13,800. The maximum offset applies where the spouse's income is less than \$10,800 and the contributing spouse makes a contribution of \$3,000. There is no requirement that the spouse for whom the contribution is being made, must be working. Age limits apply to spouse contributions.

Contribution splitting

Up to 85% of a concessional contribution can be split with an eligible spouse. The split will generally be made after the end of the financial year and can be a useful strategy for retirement and insurance funding. Superannuation contribution splitting is not mandatory on a superannuation fund so not all funds provide this service.

Following the end of a financial year a super fund member can apply to their superannuation fund to split their contributions with their spouse, provided certain criteria are met.

This is a very useful strategy where one partner is wishing to maximise their superannuation benefits prior to commencing an income stream (pension) or where a spouse wants to fund life insurance cover through superannuation for (say) a non-working spouse.

A word of advice

Superannuation can be complex. Readers are encouraged to seek financial advice before acting on any of the strategies mentioned in this issue of Timely Tips.

Source: Professional Investment Services

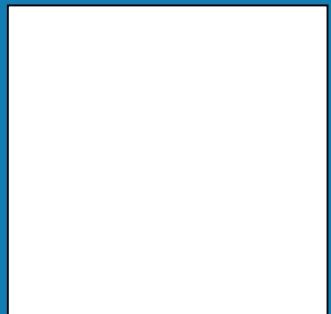
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