

May 2011



YourGuardian

2011 – 12 Budget Update

We're pleased to report there were no major surprises or reforms announced in last week's budget update; however industry professionals were disappointed by the proposals in relation to Excess Contributions Tax.

Excess Contributions Tax

Excess contributions will be an area SMSF members will need to monitor carefully into the future, as members can be penalised up to 93 per cent if you breach concessional and non-concessional contributions caps.

Industry bodies have been lobbying to the Government for years, as any excess contribution issue whether the fault of the Trustee or even an employer, would result in a significant tax bill.

The Government have finally provided some relief in this area and have announced proposals to allow individuals who exceed their cap for the first time, to pay tax at their marginal tax rate on up to \$10,000 of excess contributions, and to pay the expense out of the super fund.

Whilst this provides some relief going forward, if passed it will be effective 1 July 2011 and not provide the relief retrospectively that many SMSF members had been seeking.

Excess contributions continues to be a key area of risk for fund Trustees and should be monitored very closely. The government proposes effective 1 July 2012 that employers will be required to include the amount of super contributions actually paid into employees' super accounts on their payslips.

SuperGuardian undertakes a contribution review each year in May, notifying members of their contributions year to date.

A major benefit of utilising a SMSF administrator vs a year end accountant is our ability to track your contributions by member on a monthly basis and alert you and your adviser once you near your contributions cap (as opposed to identifying them after the end of the year and facing excess contributions tax issues).

Excess Contribution Statistics

84% of Excess Contributions are for concessional contributions
 FY2008 average excess concessional contribution was \$7486
 FY2009 average excess concessional contribution was \$2215
 FY2008 average excess non – concessional contribution was \$50,655

Increased Contribution Cap

Whilst we would have preferred to see increased contribution caps for all SMSF members it has been proposed that members over 50 years of age who have total superannuation balances of less than \$500,000 will have the opportunity to increase their concessional contribution cap of \$25,000 to \$50,000 from 1 July 2012.

Pension Drawdown relief phased out

The relief provided by the Government to members drawing pensions is set to phase out. The drawdown relief was intended to reduce the amount needed to be paid out of the SMSF each year in recognition that investment values had decreased significantly as a result of the 2008 global financial crisis.

Age of Member	Normal Minimum	Minimum 10/11	Minimum 11/12
Under 65	4%	2%	3%
65 – 74	5%	2.5%	3.75%
75 – 79	6%	3%	4.5%
80 – 84	7%	3.5%	5.25%
85 – 89	9%	4.5%	6.75%
90 – 94	11%	5.5%	8.25%
95+	14%	7%	10.5%



We saw a number of clients take advantage of the government's drawdown relief which enabled them to preserve their superannuation balances during the period of extreme market volatility.

Superannuation Guarantee Payments to increase

The Government confirmed that superannuation guarantee payments will increase commencing in 2013/14, to 12% in 2020.

Superannuation Rebate

Low income earners with a taxable income of less than \$37,000 have been promised a rebate of up to \$500 to offset the contributions tax being paid for the superannuation guarantee of 9%. This is proposed to have effect from 2012/13.

Government Co-contribution Freeze to remain

The matching rates will be:

- 100% for 2010-11 and 2011-12, with a maximum co-contribution of \$1,000;
- 125% for 2012-13 and 2013-14, with a maximum co-contribution of \$1,250; and
- 150% from 2014-15 onwards, with a maximum co-contribution of \$1,500.

The matching rate will reduce in line with personal income thresholds.

ATO Levy

The annual levy paid by SMSFs to the Australian Taxation Office will increase from \$150 to \$180 per annum from this financial year.

The levy is included in your fund's income tax calculation and is included in the super fund's tax return.

Personal Tax Rates

For the first time in nine years, there were no changes made to personal income tax rates and thresholds.

Summary

Whilst the government has outlined its proposals in relation to superannuation, they will not be entirely clear until legislation is passed.

For further queries on any aspects of this newsletter please contact **Kimberlee Brown** or **Olivia Long** on **1300 787 576**.



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