

## Year End Superannuation Planning

It is worthwhile remembering at this time of year that superannuation requires a long term planning approach to build up funds for retirement, not just a reminder at the end of the financial year.

The issues below are relevant for year end tax planning leading up to the end of the first full year of the "Better Super" (or "Simple Super") campaign.

### Contribution limits

Contribution type	Age	Limit
Concessional	< 50	\$50,000
Concessional	Between 50 & 75	\$100,000
Non-concessional (undeducted)	< 65	\$150,000 (or \$450,000 over 3 years)
Non-concessional (undeducted)	Between 65 & 75	\$150,000
Any	>75	Not available

People over the age of 65 need to meet a work test of 40 hours in a 30-day period to be eligible to contribute.

Contributions above these annual caps are subject to additional taxes that are levied on the individual.

→ Don't exceed the caps!

Warning: the above limits now apply to contributions from **all sources**. Under the old rules, each employer could contribute up to the age based limits. Your superannuation fund is not required to let you know when you go over the limit.

### Personal super contributions

Certain individuals may claim a deduction for contributions made into superannuation. People who commonly meet these criteria are self-employed or receive less than 10% of their income from employment.

→ If you are intending to claim a deduction for a personal super contribution, get the right advice to ensure that you qualify and obtain an acknowledgment from the super fund.

This type of contribution counts towards the concessional contributions cap in the table above.

### Calculating the pre-83 component

Superannuation funds are required to crystallise any pre-83 service that you might have as a fixed tax-free component based on your account balance at 30 June 2007.

This calculation must be performed by 30 June 2008. A superannuation fund will be liable to a penalty of \$550 if this calculation is not done.

→ Check that your superannuation fund has recorded your eligible service date correctly and performed this calculation.

### Salary sacrifice

Arrangements to salary sacrifice income as superannuation contributions fall into the concessional contribution limits above.

If you are expecting a performance bonus and would like this amount to be paid into your superannuation fund, the arrangement must have been in place prior to you earning this bonus i.e. at the beginning of the period that you started accruing your bonus. Bonuses that are not linked to any performance criteria still need to be directed into superannuation prior to any amount being received by you.

Bonuses paid into your superannuation fund from your employer fall into the concessional contributions cap limits.

For people over the age of 55, salary sacrifice arrangements can be combined with a transition to retirement pension in order to accumulate benefits tax effectively. Ask your adviser for more details.

### Government co-contribution

The government co-contribution is available to people who contribute up to \$1,000 as a non-concessional (after tax) contribution into superannuation and earn less than \$58,980.

The co-contribution can be up to 150% of the contribution made.

→ To avoid disappointment check that you are eligible to obtain a co-contribution before you make the contribution!

Self-employed people can access the co-contribution, however you need to be careful with the deductions that you claim for business purposes.

## Spouse contributions

A tax offset of up to \$540 is available for eligible contributions made for the purpose of providing superannuation benefits to a taxpayer's low income or non-working spouse.

The spouse's assessable income must be less than \$10,801 to obtain the maximum offset, and less than \$13,800 to obtain a partial offset. A contribution of \$3,000 will gain the maximum offset possible.

## Withdrawal & re-contribution strategies

Despite the removal of taxes on the withdrawal from super, a re-contribution strategy may still be of benefit for estate planning purposes. If you require further information or guidance you should ask your adviser as criteria need to be met in order to make the strategy worthwhile.

## Pension payments

From 1 July 2007 new pension standards were put in place. An allocated pension that was in place for someone over the age of 60 prior to 1 July 2007 can adopt the new simple minimum payment rules that apply to account based pensions.

The minimum pension payment for the new account based pension is your account balance at the end of the previous financial year multiplied by the percentage factor that applies to your age.

Age	Minimum pension
<65	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
>95	14%

People aged between 55 and 60 with an existing allocated pension should consider whether commuting the allocated pension and restarting a new account based pension would provide them with a better tax result. If you are unsure, check with your adviser.

## Timing of retirement

If you are considering retirement, there may be significant tax benefits from delaying this event and the receipt of any termination payments until after 30 June.

In normal circumstances, a retiring person's marginal tax rate will be lower in the next income year and now that superannuation is not an assessable income after the age of 60, the tax benefits are more pronounced.

You may also be eligible to offset other income by making personal deductible contributions into superannuation, but again, we urge you to ask your adviser as there are criteria that need to be met.

## No-TFN contributions tax

Excess contributions tax will apply if your superannuation fund does not have your tax file number on file. The excess tax is 31.5% in addition to the 15% contributions tax, resulting in these monies being taxed at the highest marginal tax rate.

→ Make sure you have quoted your tax file number!

A refund can be obtained if you subsequently quote your tax file number within four years.

Should you require assistance or additional information, contact

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