

Year End Super Planning

With the end of the financial year just around the corner, it is time to make sure that our house is in order in respect of superannuation

Concessional contributions

The concessional contributions cap is \$25,000 pa for people under age 50 and \$50,000 pa for people aged over 50. These limits apply to contributions from all sources.

Reminder: concessional contributions are most commonly those paid into superannuation by an employer or where an individual claims a deduction.

Salary sacrifice arrangements

Income that is salary sacrificed as additional superannuation contributions is counted towards the concessional contributions cap. The 9% superannuation guarantee is also counted towards this cap.

If you are salary sacrificing into super, ensure that your sacrificed amount together with your employer's 9% contribution does not make you breach the cap.

We often see arrangements where people request their employer to automatically sacrifice their bonus into superannuation, causing a breach of the concessional cap.

Employers are entitled to a deduction for any contribution they make for an employee, so it is the employee's responsibility to ensure their cap is not breached.

If you rely on the "10% rule" in order to make personally deductible contributions, note that from 1 July 2009 salary sacrificed contributions will be included as employment income for this purpose.

Non-concessional contributions

The non-concessional contribution cap is \$150,000 pa for 2009/10.

People under age 65 can "bring forward" three years of contributions at any one time, therefore, the bring forward cap for someone under age 65 is \$450,000.

Reminder: non-concessional contributions are those paid into superannuation from after-tax monies. This type of contribution used to be called "undeducted".

Excess contributions

Exceeding the concessional contributions cap may result in additional tax levied at 31.5% on the excess.

If the non-concessional cap is exceeded, tax of 46.5% is levied.

In instances where both caps are breached, tax of 93% may result. This is a distinct incentive to ensure that you are aware of your contribution caps.

Who can make contributions?

Anyone under the age of 65 can make contributions. However after reach 65, you must work for 40 hours over a continuous 30 day period before making contributions.

Generally you cannot make contributions once you reach 75.

Contribution of Assets

For those wishing to maximise contributions but do not have ready cash, you may contribute assets such as listed company shares and business real property to a self managed superannuation fund.

Minimum pension drawdown

For people withdrawing a pension from their superannuation, a minimum payment must be made at least annually. Minimum payments are determined by age and the value of the account balance as at 1 July each year. The minimum annual payment rule is designed so that retirees draw down on their superannuation capital over their retirement. This rule recognises that superannuation is designed as a retirement savings vehicle with substantial tax concessions.

The minimum pension withdrawal amount for the 2009/10 year has been halved to enable self funded retirees to maintain a capital base for investment and relieves the need to sell investment assets and realise losses in a depressed market in order to pay a pension.

There is no minimum drawdown requirement for pensions commenced after 1 June 2010.

Age	Minimum pension 2009/10
<65	2%
65-74	2.5%
75-79	3%
80-84	3.5%
85-89	4.5%
90-94	5.5%
>95	7%

This is only a temporary suspension of the minimum payment requirement applying to:

- ▶ Account based annuities and pensions (payable since 1 July 2007) including transition to retirement pensions;
- ▶ allocated annuities and pensions (pre-dating the Better Super changes); and
- ▶ market linked (term allocated) annuities and pensions.

Superannuation Guarantee Contributions

You must pay 9% of ordinary time earnings (generally excludes overtime payments) on a quarterly basis. Payments must be made by the 28th day after each quarter. However for superannuation contributions to be deductible this year, they must be paid by 30 June 2010.

Co-contribution

Non-concessional contributions of up to \$1,000 will be matched by the government with a co-contribution of \$1,000 for people earning less than \$31,920. The co-contribution amount phases down where your income exceeds \$31,920 and is not available for those with income over \$61,920.

Conditions around the co-contributions include the requirement to be either employed or self employed.

Spouse contributions

A tax offset of up to \$540 is available where a spouse contribution of up to \$3,000 is made.

In order to receive the full offset, a \$3,000 contribution (non-concessional) must be made on behalf of a spouse and the spouse's taxable income must be less than \$10,800. No offset is available where the spouse's taxable income is over \$13,800.

2010 year end – super planning tips

- ▶ If you are planning to contribute the maximum this year, ensure that you are aware of your contribution caps. Exceeding these limits will create an additional tax liability which can be up to 93%.
- ▶ Review your salary sacrifice arrangements from your employer (especially if you have more than one) to ensure that you do not breach your concessional cap in total.
- ▶ Be aware of your non-concessional contributions to date as exceeding this cap will not make you happy.
- ▶ If you are withdrawing a pension, ensure that at least your minimum amount has been withdrawn during the course of the financial year.

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