



SIMPLIFIED SUPER

This factsheet relates to the legislative changes that occurred on 1 July 2007 within the governments Simplified Super announcements. Other legislation may have been passed since this date affecting this legislation.

The Government website simplersuper.treasury.gov.au has more information on the simplified super reforms including factsheets and frequently-asked questions.



The Simplified Superannuation reforms introduced a number of changes to super from 1 July 2007. The following changes took effect from 1 July 2007.

Some of these reforms may affect how individuals plan for their financial future. If you're thinking about your super, it's more important than ever to talk to a licensed financial adviser about how the changes might affect you. If you don't already have a financial adviser, but would like to be put in touch with one, call us on 1300 880 588.

Tax on lump sum super benefits

- ↳ Lump sum benefits for people age 60 or over (and who have already paid tax on their superannuation contributions and earnings) are tax-free.
- ↳ Reasonable benefit limits no longer exist, which means no limit to the amount of super you can take at concessional tax rates and no need to look at complex ways to minimise benefits tax.

Cap on after-tax (non-concessional) contributions

- ↳ After-tax contributions are capped at \$150,000 a year.
- ↳ Under 65s are able to bring forward two years of after-tax contributions (a \$450,000 contribution cap over three years), but won't be able to make after-tax contributions for the following two years.
- ↳ You will be taxed at 46.5% on your contributions if you exceed your non-concessional cap.
- ↳ In addition to the annual cap, individuals can contribute a lifetime limit of \$1.045 million* (2008-09) from the sale of certain small business assets (conditions apply).

* The CGT cap for super is indexed annually.

Caps on before-tax (concessional) contributions

- ↳ Age-based limits on before-tax (ie super guarantee, self-employed and salary sacrifice) contributions have been removed and these contributions will be taxed using two tax rates: a concessional rate of 15% on contributions up to \$50,000 pa and an additional 31.5% (including Medicare levy) after that. This effectively caps before-tax contributions to \$50,000 pa.
- ↳ If you're under 50, this means you can make larger concessional-tax contributions than before.
- ↳ If you're 50 or over or turn 50 in the next 5 years transitional rules allow you to contribute up to \$100,000 pa (not indexed) from the year you turn 50 until 30 June 2012.

Indexation of contribution limits

The concessional contribution cap will be indexed in line with increases in Average Weekly Ordinary Time Earnings in increments of \$5,000 pa. This aims to make it easier for people to understand how much they can contribute to superannuation. The non-concessional contributions cap will remain fixed at three times the ongoing concessional cap.

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Retirees and pensions

- Retirees can keep money accumulating in super past age 75. However, retirees between the ages of 65 to 75 have to satisfy the work test if they want to make non-concessional contributions.
- If you have a pension, you have more flexibility to choose the amount you receive. If you're 60 or over, your payments will be tax-free and you won't have to include your payments as income in your tax return – this will reduce your taxable income and the tax you pay on other income. It may also reduce your Medicare levy.

Employers

- Employers may receive a full tax deduction for all contributions to superannuation on behalf of employees up to the age of 75 (increased from 70).
- Employers will be able to claim a deduction for employees aged 75 and over if those contributions are made under an industrial award, determination or national agreement preserving State awards.

Employer eligible termination payments (ETPs)

- If you change jobs or retire and receive an employer ETP, you won't be allowed to roll it over into your super – you'll have to take it in cash and pay tax on it. Any amount of your ETP above \$140,000 will be taxed at the top 45% tax rate (plus Medicare levy). Transitional rollover and tax rate arrangements will apply to employer ETPs that were specified in existing employment contracts as at 9 May 2006 and that are paid before 1 July 2012. Amounts will be taxed at 15% up to \$140,000 (30% if under 55), 30% up to \$1 million, and the top marginal rate for amounts over \$1 million.
- These payments are known as **employer termination payments**.

Self-employed

- Self-employed people are now able to claim a full deduction for their superannuation contributions until age 75.
- Self-employed people are now eligible for the Government co-contribution for their personal after-tax contributions subject to meeting the rules.
- Self-employed people now have access to concessional tax treatment of employee invalidity benefits.

Tax file numbers

- Any fund that does not have a member's TFN by 1 July 2007 must:
 - > not accept non-concessional contributions from the member
 - > deduct the top rate of tax on any before-tax contributions if the member's before-tax contributions exceed \$1,000 in a year (the \$1,000 threshold will not apply to accounts commenced from 1 July 2007). Most people will have until 30 June 2008 to quote their TFN before the higher rate of tax need apply. Any additional tax withheld will be refunded if the TFN is supplied within a four year period.
- Quotation of a TFN for employment purposes will be treated as being for superannuation purposes. Employers will be required to forward a TFN to the employee's superannuation fund, generally within 14 days.

Unclaimed monies

Unclaimed super monies must be paid to the Australian Taxation Office and not the State Revenue Office.

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The information in this factsheet is general in nature. Your personal objectives, financial situation or needs were not taken into account when preparing this information. You may want to seek independent advice before making any decisions about your super.

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