

# Factsheet

May 2010

## Government announces super changes following the Henry Tax Review

The Federal Government's announcements on Sunday 2 May reinforce superannuation as the central pillar of Australians' retirement savings.

Treasurer Wayne Swan announced a number of changes that will significantly boost the pool of superannuation savings and increase the benefits of saving via super, particularly to older workers.

### What will be changing?

Subject to legislation being passed, these changes will include:

- a phased increase in the Superannuation Guarantee (SG) rate from 9% to 12%, starting from the 2013-14 tax year and ending in 2019-20, as follows:

TAX YEAR	SG RATE (%)
2013-14	9.25
2014-15	9.5
2015-16	10.0
2016-17	10.5
2017-18	11.0
2018-19	11.5
2019-20	12.0

- from 1 July 2012, a Government-funded superannuation contribution of up to \$500 annually for low-income individuals earning less than \$37,000 per annum; and
- from 1 July 2012, for those over the age of 50 and with less than \$500,000 in their superannuation account, the annual cap on concessional tax contributions (for example, salary sacrifice) will be \$50,000.

- from 1 July 2013, an increase in the age limit for the SG, from 70 to 75;

### What won't change

Significantly, the Government's response to the Henry Tax Review did **not** make certain other changes to Australia's super system.

Ahead of the Review's release, there was speculation about possible increases to the concessional rates of tax applying to super contributions, benefits or fund investment earnings. As it turned out, no such changes were announced. The Government also defied the pundits by not introducing concessional taxation for savings outside super, such as bank accounts.

However, it has left the door open for changes in coming months. Treasurer Swan said that the Government 'will have more to say on a number of other areas considered by the Review, especially making tax time simpler for everyday Australians, improving incentives to save, and improving the governance and transparency of the tax system'.

The Government decided not to adopt a large number of the Henry Review's recommendations, including:

- abolishing the tax offset on spouse super contributions;
- reducing the capital gains tax discount;
- changing 'grandfathering' arrangements for capital gains tax; or
- discounting negative gearing.

The Government also reaffirmed that it would not alter the tax-free status of superannuation payments for persons aged 60 or more.

### How will your super be affected?

The changes are expected to increase the retirement incomes of 8.4 million Australians, including 3.5 million on lower incomes. An employee on average weekly earnings aged 30 today, will retire with an additional \$108,000 of super; a female employee currently in the same situation but with an interrupted working life, will retire with an additional \$78,000 of super.

The forecast cost of these superannuation changes will be \$2.4 billion over the next four years. The Government will pay for them with part of the proceeds from its proposed Resource Super Profits Tax.

The new resources tax will also pay for a phased reduction in the company tax rate - to 29% from 2013-14 and 28% from 2014-15 (a year earlier for small business) - along with other tax benefits for small business and the creation of a fund focused on investment in infrastructure, particularly in resource-rich states.

If you have any questions about the Government's recent tax announcements and how they may affect your retirement savings with legalsuper, please contact us on:

**Phone:** 1800 060 312 Monday to Friday between 8.30am and 8.00pm

**Fax:** 1800 614 431

**Email:** mail@legalsuper.com.au

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