

Factsheet

May 2011

2011/12 Budget update – Superannuation

The 2011/12 Federal Budget focused on the Government's promise to return to surplus by 2012/13.

However, it still contained important superannuation news and more details of the 'Stronger Super' package of reforms announced last December.

The biggest news was a softening of the penalty for those who contributed more to super than allowed by the cap on concessional contributions.

The industry has lobbied for years against this penalty, which is very costly for anyone who makes the easy mistake of putting too much into super.

Contribution Caps

The Government has confirmed that the concessional contributions cap for eligible individuals aged 50 and over, with total superannuation balances of less than \$500,000, will be set at \$50,000. This is \$25,000 above the existing general concessional cap of \$25,000 and will apply from 1 July 2012.

When the general cap increases due to indexation, the higher cap will also increase by the same dollar amount.

Under a new measure from 1 July 2011, excess concessional contributions will be taxed at a taxpayers' marginal rate, rather than a punitive rate of 46.5%.

However, this new measure is a once-only opportunity for breaches up to \$10,000 and is available only in the first year in which a breach occurs.

In addition, it does not apply to non-concessional contributions in excess of the \$150,000 cap, which have attracted much publicity for highly punitive tax rates. Excess concessional contributions are counted in the non-concessional cap, which means they could trigger even further penalties.

The limited availability of the reduced penalty on concessional contributions means advisers are still cautioning their clients to regularly review their level of superannuation contributions and monitor contributions received from their employer.

The Budget also clarified arrangements for the indexation of the \$50,000 concessional cap for those aged 50 and over with under \$500,000 in assets. The cap will be increased by the same dollar amount as the \$25,000 cap, which is indexed to CPI.

Co-contribution indexing

The Government announced it will freeze co-contribution income indexing for an additional 12 months, which will assist low and middle income earners.

The Government will extend for a further 12 months the freeze on the indexation of the income threshold above which the maximum super co-contribution begins to wind down. This threshold amount is \$31,920.

Information on payslips

There will be new requirements for employers and super funds implemented from 1 July 2012.

From 1 July 2012, employers will be required to provide information on their employees' payslips about the amount of superannuation contributions paid into their account.

Also, superannuation funds will be required to notify employees and employers on a quarterly basis if regular contributions cease.

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Drawdown relief for account-based pensions.

The Government will phase out the 50% pension drawdown relief that has been provided over the last three years.

Minimum payment amounts for account-based pensions and superannuation income streams may be reduced by 25 per cent for 2011/12 and will return to normal in 2012-13.

Age	2010-11 drawdown requirement	2011/12 drawdown requirement	2012-13 drawdown requirements
	% of account balance	% of account balance	% of account balance
Under 65	2	3	4
65-74	2.5	3.75	5
75-79	3	4.5	6
80-84	3.5	5.25	7
85-89	4.5	6.75	9
90-94	5.5	8.25	11
95 or older	7	10.5	14

The extension of the drawdown relief will assist account holders recoup losses incurred during the Global Financial Crisis, by not forcing them to make large draw downs on their funds.

Self Managed Super Funds

Highlighting the risks around self managed super funds (SMSF), measures will be introduced to tighten operational issues around the SMSFs sector.

Included will be the introduction of administrative penalties for non-compliance, competency requirements for SMSF providers and some tightened restrictions on SMSF investments. Most changes will apply from 1 July 2012.

The Government announced funding of \$40.2m to the ATO and \$8.4m to ASIC over the next five years to implement announced SMSF measures.

This is to be funded by an increase to the SMSF levy and the introduction of a new SMSF auditor registration fee.

If you have any questions about the recent announcements and whether they affect your retirement savings with legalsuper, please contact legalsuper on:

Phone: **1800 060 312** Monday to Friday between 8.30am and 6pm, fax: **1800 614 431** or email: **mail@legalsuper.com.au**

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