



## Year end strategies • Federal and NSW State Budgets update • Key rates and thresholds

In this edition of TP Supernews, we will look at various pre 30 June strategies trustees and members should be thinking about, review both the 2010 Federal and NSW State Budgets in relation to superannuation matters and also look at some key superannuation rates and thresholds for the current and coming financial years.

### Pre 30 June strategies

#### Meet minimum pension payments before 30 June 2010

At a recent NTLG superannuation technical sub group committee meeting, the ATO confirmed that failure of a

member to withdraw the minimum pension amount as required under the SIS Regulations would result in the fund losing its tax free status for that financial year. The ability to simply accrue any shortfall in the accounts or make a catch up payment in the following financial year will not suffice. Trustees and members should ensure that the minimum pension amounts advised to be withdrawn are taken before 30 June 2010. It is also worth noting that pension payments must be paid in cash. The ATO does not permit pension payments to be made via in-specie asset transfers. For example, transferring listed shares in lieu of making a cash payment would not be adequate. Also, the current 50% discount that applies to minimum pension payments ceases on 30 June 2010. From the 2011 financial year onwards pension payments will revert to their pre GFC factors.

### Co-contributions

If you are a low or middle-income earner and have received employment or business income, you may be able to receive the super co-contribution from the Government by making eligible personal superannuation contributions to your fund before 30 June 2010. You do not have to contribute the full \$1,000 to be eligible – any amount up to \$1,000 will attract the super co-contribution as long as your income threshold\* is below \$61,920 for the 2010 financial year. If you believe you are eligible, please contact our office and we can help determine your eligibility and amount of co-contribution.

\*Income threshold is the sum of your assessable income, your reportable fringe benefits and your reportable employer super contributions less business deductions.

“failure of a member to withdraw the minimum pension amount will result in the fund losing its tax free status.”

### Related party leases/loans

Many clients own their own business real property within their SMSF from which they operate their business. Whilst this is a legitimate and tax effective strategy, failure to pay rent on arms length terms is a contravention of the SIS Act. To ensure that you are acting at arms length, members leasing business real property from their fund should pay rent at market value, on a timely manner and have a valid binding

Any concessional contributions which are made in addition to these limits will result in excess contributions tax of 31.5% being levied on the excess contribution plus the usual 15% contributions tax; taking the total tax payable on the excess contribution to 46.5% - equal to the top marginal tax rate. The ATO can ignore or reallocate excess contributions in special circumstances, however failure to realise the change in limits or accidentally

(after-tax) contributions up to \$1,000. The rate will remain at 100% indefinitely and will no longer increase to 125% in 2012/13 and 150% in 2014/15 as announced in the 2009/10 Federal Budget. The co-contribution income thresholds will also not be indexed for 2010/11 and 2011/12. The current lower threshold of \$31,920 and upper threshold of \$61,920 will be retained during this period.

## “Concessional contributions in excess of your cap will result in tax totalling 46.5% being levied.”

lease agreement in place. Please note that most leases have a clause which state that rent is required to be indexed in line with CPI each year.

SMSF's are also permitted to lend up to 5% of the market value of the fund's assets to a related entity, typically a corporate entity (not a member or relative). This is known as an in-house asset loan which is subject to a 5% limit on the market value of the fund's assets. Interest must be at commercial rates and a valid loan agreement in place. The same applies to artwork that is being leased by members of the fund. If you feel that you may not be quite on top of things, now is the time to pay the required amount of rent into your SMSF.

### Contribution limits

For members aged 50 or over at 30 June 2010 the maximum amount of salary sacrificed/concessional contributions permitted to be made and remain concessional taxed at 15% is \$50,000 p.a. For those under 50 years of age the limit is \$25,000 p.a.

making the contribution are two examples of what would not constitute special circumstances. If you have more than one superannuation fund, the total of contributions made to all funds are added together and counted towards the cap.

### 2010 Federal Budget

There were not too many surprises in this years Federal Budget with Treasurer Wayne Swan staying true to his word that it would be a no-frills affair. Many of the announcements mirrored those made in the Henry Review handed down on May 2. It is important to note that the key changes identified below are proposals only at this stage and will require successful passage through parliament before becoming law.

### Permanent reduction to the superannuation co-contribution matching rate

From 1 July 2010 the Government will retain the current co-contribution rate for eligible personal non-concessional

### Superannuation Guarantee (SG) to increase to 12%

From 1 July 2013 following a number of reviews and recommendations from industry bodies, the Government has proposed to increase the employer compulsory superannuation guarantee rate from 9% to 12%. The increase will be phased in over a number of years beginning July 2013 as outlined in the table below.

Income year	SG contribution rate (%)
2013 - 14	9.25
2014 - 15	9.5
2015 - 16	10
2016 - 17	10.5
2017 - 18	11
2018 - 19	11.5
2019 - 20	12

### SG age limit increase

The age limit for SG contributions is proposed to be increased from 70 to 75 from 1 July 2013. With more people living and working longer, this helps older workers save more for retirement if they choose to continue working. The new age limit also brings employer SG contributions in line with the age limit for voluntary and self-employed contributions.

### Concessional contributions cap retained for pre-retirees

Many members make catch up contributions as they approach retirement. As a result, the Government has proposed a permanent cap of \$50,000 p.a. (indexed) for those age 50 and over, with super balances less than \$500,000 from 1 July 2012. The concessional contributions cap had been halved in the 2009 Federal Budget to \$25,000 p.a. (indexed) with a transitional cap of \$50,000 p.a. for members age 50 or over until 30 June 2012. It is expected that the Government will consult industry professionals to determine how the \$500,000 limit will be administered.

### Concessions for low income earners – Government super contribution

The Government has proposed a government-funded contribution up to \$500 p.a. for low income earners (less than \$37,000 p.a.). The Government will contribute 15% of concessional contributions (e.g. employer compulsory SG) made by or for members up to a maximum of \$500 (not indexed) into the individual's super account. Concessional contributions made in 2012/13 would be eligible for the government contribution to be paid in 2013/14. Low-income earners currently pay the same amount, or even more tax, within super (15%) compared to their income tax rate out

side of super (0-15%). Effectively, this means low-income earners would not pay tax on concessional contributions.

## 2010 NSW State Budget

The NSW State Government announced in its budget handed down on 8 June 2010 a proposal to introduce a stamp duty exemption (other than a nominal duty of \$50) for transfers of real estate to a self managed super fund in limited circumstances.

The exemption operates from 1 July 2010 and is limited in scope. For example it only applies to the transfer from an individual to a fund that that individual is the member. It does not apply if the asset is owned by a trust or a company or some other individual. It also only applies to business real property (not residential property) given a SMSF cannot acquire a residential property from a member, and the property must be transferred to a single member fund or be segregated within a multi member fund so no other members benefit from the income or growth of the property. More details will follow once they come to hand.

## Key superannuation rates and thresholds

### Concessional contributions cap

Concessional contributions include:

- employer contributions (including contributions made under a salary sacrifice arrangement); and
- personal contributions claimed as a tax deduction by a self-employed person.

A transitional concessional contributions cap applies until 30 June 2012 for people aged over 50. If you are aged over 50, the annual cap for the 2009-10,

2010-11 and 2011-12 financial years is \$50,000 p.a.

Income year	Amount of cap
2010 - 11	\$25,000 (\$50,000 if over age 50 at 30/6)
2009 - 10	\$25,000 (\$50,000 if over age 50 at 30/6)

### Non-concessional contributions cap

Non-concessional contributions include personal contributions for which you do not claim an income tax deduction.

Income year	Amount of cap
2010 - 11	\$150,000
2009 - 10	\$150,000

People under age 65 may be able to make non-concessional contributions of up to three times their non-concessional contributions cap over a three-year period. This is known as the 'bring-forward' cap. The bring-forward cap is three times the non-concessional contributions cap of the first year. If a member brought forward their contributions in 2008-09, they would contribute 3 x \$150,000 = \$450,000. As a result, they cannot contribute non-concessional contributions for the 2010 or 2011 financial years.

### Minimum annual payments for super income streams

The table on the back page shows the minimum percentage factor for each age group.

Age	Minimum % withdrawal for the 2010 financial year for certain pensions and annuities	Minimum % withdrawal for the 2011 financial year
Under 65	2%	4%
65 - 74	2.5%	5%
75 - 79	3%	6%
80 - 84	3.5%	7%
85 - 89	4.5%	9%
90 - 94	5.5%	11%
95 or more	7%	14%

Indicative co-contribution table for contributions made from 1 July 2009 to 30 June 2010

And your income is:	If your personal super contribution is:			
	\$1000	\$800	\$500	\$200
Your super co-contribution will be:				
\$31,920 and less	\$1000	\$800	\$500	\$200
\$34,921	\$900	\$800	\$500	\$200
\$37,921	\$800	\$800	\$500	\$200
\$40,921	\$700	\$700	\$500	\$200
\$43,922	\$600	\$600	\$500	\$200
\$46,922	\$500	\$500	\$500	\$200
\$49,922	\$400	\$400	\$400	\$200
\$52,922	\$300	\$300	\$300	\$200
\$55,923	\$200	\$200	\$200	\$200
\$58,923	\$100	\$100	\$100	\$100
\$61,920	\$0	\$0	\$0	\$0

Level 21/68 Pitt Street Sydney NSW 2000 • GPO Box 3437 Sydney NSW 2001 • ABN 12 357 968 859  
 T: 02 8224 8000 • F: 02 8224 8099 • E: [tpsuper@troodpratt.com.au](mailto:tpsuper@troodpratt.com.au) • W: [www.tpsuper.com.au](http://www.tpsuper.com.au)

Directors: D Grech • W Howson • A Crews • D Trood • I Pratt • P Lockyer  
 "Liability limited by a scheme approved under Professional Standards Legislation"

Disclaimer: This newsletter is based on laws applicable at the date of writing and is produced as general advice only. The advice contained herein does not take into account any person's particular objectives needs or financial situation. Before making a decision regarding the acquisition or disposal of a Financial Product persons should assess whether the advice is appropriate to their objectives, needs or financial situation. Persons may wish to make this assessment themselves or seek the help of a financial adviser. Persons doing so, do so at their own risk. Before acquiring a financial product a person should obtain a Product Disclosure Statement (PDS) relating to that product and consider the contents before making a decision about whether to acquire the product.