

May 9, 2012

2012 FEDERAL BUDGET

On Tuesday, May 8 the Government announced its 2012 Federal Budget and announced the following new measures that will affect superannuation:

- **Deferral of the higher concessional contribution cap until 2014-15**

In the 2010 Budget, the Treasurer announced that from July 1 2012 those aged 50 or over with super balances below \$500,000 would be allowed to make up to \$50,000 in concessional contributions without being hit with an extra tax bill. This measure has now been delayed until July 2014. Until then, the concessional contributions cap of \$25,000 will apply from July 1, 2012 to everyone regardless of age.

- **Reduction of tax concessions for contributions of very high income earners**

The contributions tax for those who earn more than \$300,000 per annum will double from 15 to 30 per cent (excluding the Medicare levy). This measure will be implemented in a bid to make the system fairer by ensuring that tax incentives for super are more aligned across income ranges. This change will come into effect from July 1 this year.

- **Temporary levy for the Superstream reforms**

Superstream is a package of reforms that is intended to improve the efficiency and effectiveness of the super system. Members will benefit from being able to more easily keep track of their super, check it's been paid by their employer, consolidate accounts and have their contributions and rollovers processed more quickly. Employers will benefit from having standardised, more simple administrative processes to manage their super obligations. In order to fund the reforms, the Government has confirmed that super funds will be charged a temporary levy to cover the costs of implementation. The temporary levy will be imposed on funds like Sunsuper from the 2012-13 financial year and is scheduled to finish in 2019.

- **Increased scrutiny by the Australian Tax Office on employers**

The Government has announced that it will increase funding to the ATO to allow for improved management of outstanding employees' unpaid superannuation.

Confirmation of previous announcements:

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The Government also took the opportunity to clarify some of the initiatives it had previously announced.

These include:

- **Low-income super contribution**

From July 1, 2012, 3.6 million low income earners will pay no tax on their super contributions. Workers who earn \$37,000 or less per annum will have the contributions tax they pay on their super refunded up to a maximum of \$500 per year. This refund will be paid straight into an eligible person's super fund.

- **Increase in SG contributions from 9 to 12 per cent**

The Treasurer took the opportunity provided by his Budget speech to reiterate the benefits of raising compulsory super contributions from 9 to 12 per cent. The increase to the SG will be introduced over time with contributions first increasing to 9.25 per cent on July 1, 2013 and reaching 12 per cent by July 1, 2019. This measure has been designed to boost the retirement savings of 8.4 million Australians and increase the nation's savings.

If you would like more information about any of the measures announced on May 8 as part of the Government's Federal Budget, our financial advisers¹ can help.

Just call us on **13 11 84** and ask for the MAC.

¹Simple advice about super is provided at no additional cost. More detailed advice may incur a fee. All advice is provided by representatives of either Sunsuper Pty Ltd or Sunsuper Financial Services Pty Ltd (ABN 50 087 154 818, AFSL No. 227867), a wholly owned subsidiary of Sunsuper.