

# Superannuation

## 30 June approaches

by Stuart Graham  
Actuary & Senior Advisor  
Lachlan Partners Wealth Management  
www.investingtimes.com.au

As we head towards the end of the financial year, it's worth reviewing some end of year super strategies to make sure you take maximum advantage of the super rules before 30 June arrives.

### Concessional super contributions

The Government is progressively winding back the level of tax concessional super contributions you can make, so it's a good idea to try to maximise your contributions before the limits reduce even further.

For the 2010/11 financial year, those aged 50 or over at the end of the financial year can make total concessional contributions (including salary sacrifice and Super Guarantee contributions) of up to \$50,000 for the year. Those under age 50 are restricted to a contribution of \$25,000.

The concessional contribution caps for this and future years are summarised in the following table:

Concessional contribution caps		
Age	2010/11 & 2011/12	1 July 2012 onwards
Under 50 at 30 June	\$25,000*	\$25,000*
50 and over at 30 June	\$50,000**	\$25,000*

\* Indexed from 1 July 2010 \*\* Not Indexed

There are currently proposals in place to continue the higher contribution cap for those aged 50 or over at the end of a financial year, but the proposals are only in the consultation phase and no new legislation has been passed.

### Super contributions and the self-employed

If you are self-employed, substantially self-employed or an unsupported person, you can make contributions to your super and claim a full tax deduction. Note that if you do not claim your super contributions as a tax deduction, they will be regarded as non-concessional (after-tax) contributions.

To be considered substantially self-employed for tax purposes, no more than 10% of your total assessable income for the income year (including reportable fringe benefits and reportable employer superannuation contributions) must be attributable to employment. An unsupported person is one who does not receive any super contributions from assessable income they earn in an income year.

### Super spouse contributions

For the 2010/11 year, you can again make a super contribution on behalf of your spouse provided he or she is earning less than \$13,800 for the year. The advantage of making the spouse contribution is the tax offset equal to

18.0% of the contribution available to the person making the contribution. The maximum rebate offered is \$540 for a spouse contribution of \$3,000. In addition, note that the percentage offset factor phases out as the receiving spouse's income exceeds \$10,800 for the financial year, phasing out completely when the receiving spouse's income reaches \$13,800.

Don't forget to put a note in your tax folder to claim the tax rebate in your 2010/11 individual tax return, as it may be a while between making the contribution and lodging your return.

### Super spouse contribution splitting

One little known strategy to help you even up your super balances is to direct some of your own concessional super contributions to your spouse (if under age 65 and not retired). The reason you may wish to do this is to protect against the possibility that a future Government may re-introduce income tax on income streams taken from superannuation.

For those couples where the super assets are concentrated in one person's balance, if the Government were to place a tax above say a particular level of annual income, this could result in having to pay more income tax, compared with the situation where your super balances are more evenly divided and the higher level of pension income is reduced.

If you have made concessional contributions during the financial year, check with your super fund to see if they will allow you to direct up to 85% of these contributions to your spouse's super fund. Generally you have up to 12 months to direct your previous financial year's contributions, so for example if you make an application to split your 2009/10 year contributions to your spouse, you must complete and lodge the application with your fund by 30 June 2011.

### Government co-contribution

One popular strategy for those in employment is the ability to gain a matching super contribution from the Government by making an after tax or "non-concessional" contribution to super of up to \$1,000 in a financial year. The maximum matching contribution you can receive from the Government is \$1,000, and this is scaled back once your assessable income exceeds \$31,920 for 2010/11, phasing out completely once your income reaches \$61,920.

Other eligibility criteria include having to lodge an income tax return for the year, being aged under 71 at the end of the tax year, and making sure that your income from employment is at least 10% of your overall assessable income.

From a practical perspective, you won't receive the Government's matching contribution until your super fund reports the contribution to the Australian Tax Office and you have lodged your own individual income tax return for that tax year - it can often be until the following March before you receive the Government's co-contribution.

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