



Superannuation Changes - May 2010

Increasing the Superannuation Guarantee rate to 12%

The Superannuation Guarantee (SG) rate will be increased from 9% to 12% by 1 July 2019. This will commence with a 0.25% increase for the 2013/14 financial year. The table below illustrates the proposed time table for the full 3% increase.

Financial Year	SG 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 from 70 to 75

The Superannuation Guarantee (SG) age limit will be raised from 70 to 75. Currently, compulsory SG only applies to those aged less than 70.

This proposed change is due to commence on 1 July 2013.

Low income earners Government contribution

The Government plans to introduce a Government superannuation contribution for low income earners. Individuals will need to have an adjusted taxable income (ATI) of less than \$37,000 to receive up to a maximum of \$500 per year.

The Government contribution would be calculated as 15% of the concessional contributions paid by or for individuals with an ATI less than \$37,000.

The maximum contribution of \$500 is equivalent to the tax an employee with an ATI of \$37,000 would pay on their SG contributions calculated as follows.

$$\begin{aligned} \$37,000 \times 9\% \text{ (SG rate)} &= \$3,330 \times 15\% \text{ (tax rate deducted by super fund)} = \\ &= \$499.50. \end{aligned}$$

Note that by 1 July 2012, when this measure is proposed to commence, the marginal rate of tax for individuals earning between \$6,001 and \$37,000 will be 15% (this income tax threshold change is already legislated to apply from 1 July 2010).

The first Government contributions are expected to be paid into an eligible individual's superannuation account during 2013/14 for concessional contributions made during 2012/13. This payment lag is similar to the existing Government Co-contribution arrangements.

Individuals may be eligible for both the "low income earners Government contribution" and the existing Government Co-contribution.

Changes to the Concessional Contributions Cap

Currently the transitional concessional contributions cap is \$50,000 per annum for those aged 50 and older. This transitional cap will expire on 30 June 2012. It will, however, now be replaced with a new concessional contributions cap from 1 July 2012 for individuals aged 50 or over who "need" to make catch-up contributions. Under the new concessional contributions cap, individuals will be able to make (or have made on their behalf) concessional contributions of \$50,000 pa provided they are:

- aged 50 and over; and
- have total superannuation balances of less than \$500,000.

No change to non-concessional contributions cap

The Government has reaffirmed the existing level of the non-concessional caps. Eligible individuals under the age of 75 will still be able to make non-concessional contributions to superannuation up to \$150,000 per year. Those who are under 65 can also bring forward two years' worth of non-concessional contributions, allowing them to contribute up to \$450,000 of non-concessional contributions in any three-year period.