



## Federal Budget 2012 – What's in it for Superannuation?

On the 8<sup>th</sup> of May 2012, the federal government delivered its 2012-13 budget. The nation had been forewarned that Wayne Swan's primary objective was to get the budget back to surplus. So although disappointing, it came as no real surprise that the changes to super were all about saving money.

A brief summary of the changes are provided below. If you'd like more information about any of the changes, please contact Radek Kotlarczyk, your Prime Super Regional Manager or visit [www.budget.gov.au](http://www.budget.gov.au).

### Concessional contributions cap of \$25,000 to apply to all individuals for 2012-13 & 2013-14

You may be aware that the government limits the amount of money you can contribute to your super account at favourable tax rates. This is known as the concessional contributions cap.

In last year's budget, the government announced that from 1 July 2012, it would increase the amount over 50's could contribute pre-tax from \$25,000 to \$50,000 if they had less than \$500,000 in super.

However in this year's budget the government announced that it would defer this increase for two years.

This means that the concessional contributions cap of \$25,000 will apply to everyone, no matter their age, for the 2012-13 and 2013-14 financial years.

### Superannuation contributions tax increase for high income earners

If you make contributions into your super account from your pre-tax salary, those contributions (up to the concessional contributions cap we mentioned above) are subject to a 15% contributions tax. For many working Australians this is much lower than their marginal tax rate and one of the reasons salary-sacrificing into super is an attractive savings vehicle for many.

From 1 July 2012, the government wants to double the contributions tax rate for high income earners.

This will now mean that if you earn more than \$300,000, the tax you will pay on your pre-tax contributions will double from 15% to 30%.

### Other proposed super changes to be aware of

#### Increase in the SG

From 1 July 2013, the SG rate will increase from 9 to 9.25%. It will continue to increase incrementally until it reaches 12% on 1 July 2019.



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### **Removal of SG age limit**

From 1 July 2013, the SG age limit will be removed and employers will be required to make SG contributions for all eligible employees aged 70 years and older.

### **Concessional cap indexation paused for 2013-14**

The government will pause indexation of the superannuation general concessional contributions cap for one year in 2013-14, so it remains at \$25,000.

Indexation of the cap will be deferred until 2014-15, when the cap is expected to rise to \$30,000.

Indexation of the non-concessional contributions cap will also be paused.

### **Low income super contribution**

From 1 July 2012, the government plans to provide a new super contribution tax rebate of up to \$500 annually on concessional contributions for people with adjustable taxable incomes of up to \$37,000.

To be eligible, individuals will need to meet a test where at least 10% of their income must be from employment or business sources and they are a resident of Australia or New Zealand.

**For more information about this article or any other topics please email Radek Kotlarczyk ([rkotlarczyk@primesuper.com.au](mailto:rkotlarczyk@primesuper.com.au)).**