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PRACTICE UPDATE

Please read this update
and contact this office
if you have any queries.

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Budget 2007 - Simpler super

The Government has announced the following proposals to simplify super and retirement planning. Most come into effect 1 July 2007. Here's a snapshot:

Money paid in by employers

- The current age based contribution limits will be removed and replaced with a flat \$50,000 annual limit for each employee under age 75. Members will be taxed at the top marginal rate (plus medicare levy) for the amounts over the limit.
- Where a member has not quoted their tax file number to a fund, contributions will usually be taxed at the top Marginal tax rate (plus medicare levy)
- For those aged 50 and over the annual limit will be increased to \$100,000 until 30 June 2012. Anyone turning 50 during this time will be able to take advantage of the higher limit.

Tax File Number declarations

- From 1 July 2007, employers (after it has been quoted on the employee's Tax Declaration Form) will be required by law to pass on an employee's TFN to the employee's super fund within 14 days.
- Individuals have until 30 June 2008 to quote their TFN to their superannuation fund, otherwise all concessional contributions over \$1,000 per year will be taxed at 46.5%.

Money paid in by members

- Contributions are now limited to \$150,000 per year, regardless of a member's age. The good news is that members under age 65 will be able to average this amount out over three years and contribute \$450,000 in any one year, but that means they can't make further non-concessional contributions for the next two years.
- If a member's contribution exceeds this limit, their fund will no longer be able to accept payments from 1 July 2007.
- If a super fund does not hold a TFN for a member, it cannot accept this type of contribution.
- Until 30 June 2007, members can contribute up to \$1 million into super.

Super co-contribution reminder

- Super fund members who are eligible to receive the super co-contribution need to make personal contributions before 30 June 2007 to receive a co-contribution before January 2008.
- To be eligible to receive the super co-contribution, a taxpayer's total income must be less than \$58,000 and at least 10% of that total income must be from salary or wages. From 1 July 2007, people who are self-employed and make after-tax contributions will also be eligible for the super co-contribution.