

SUPERANNUATION CHANGES

Many changes have recently arisen in the area of superannuation. Importantly, there is a one-off opportunity to make undetected contributions up to \$1 million (now known as a non-concessional contribution) to a complying superannuation fund before 1 July 2007. After that date, the cap will be more restricted. Such contributions are not ordinarily taxed when contributed to the fund, and earnings are taxed at no more than 15% if held in the fund until the contributor turns 60 (after which the payments from the fund will not be subject to tax). However, care needs to be exercised. If the cap is exceeded the superannuant may be required to pay tax on the excess at 46.5%.

The ability to make deductible contributions (now known as concessional contributions) will be generally more restricted (though simpler) after 1 July 2007. Transitional arrangements for those aged 50 plus at that date will allow up to \$100,000 in contributions without penalty. Salary sacrifice arrangements will continue to be effective up to the concessional contributions cap of \$50,000 (or \$100,000 as noted above). If this cap is exceeded a 31.5% tax is imposed on the superannuant.

It should be remembered that salary sacrifice arrangements are generally only effective prospectively, leaving only a few months before the 1 July 2007 date.

It is recommended to seek professional tax advice before proceeding.

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