

Benefits Spotlight

Australia

June 2009



Spotlight is a periodic e-publication designed to be short and informative covering one or two topics in each issue.

In this edition we include the key Superannuation rates and thresholds for the 2009/10 tax year, and a handy summary table of historic rates, applicability and definitions.

Want to Know More?

If there is any subject that you would find useful for us to cover, or if you have any general feedback, we would be grateful to receive it.

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Superannuation Limits for 2009/2010

The key superannuation limits for the 2009/2010 year are:

- SG maximum earnings base per annum: \$160,680
- Concessional Contributions Cap: \$25,000
- Non-Concessional Contributions Cap: \$150,000
- Super Co-Contributions:
 - Higher Income Threshold: \$61,920
 - Lower Income Threshold: \$31,920
- Tax-free part of genuine redundancy:
 - Base limit: \$7,732
 - Per complete year of service: \$3,867
- ETP Cap: \$150,000

Further details, including definitions, prior year information and a brief description of the ongoing applicability, are provided as a handy one page reference guide overleaf.

Budget impact on superannuation limits

Measures announced in the recent budget (not yet legislated) that impact the concessions granted to superannuation include:

- Contributions Limits
 - The Concessional contributions cap was halved, from its 2008/2009 level of \$50,000 to \$25,000
 - The transitional limit for older employees was halved, from \$100,000 to \$50,000. The limit applies for eligible employees until 30 June 2012, and is not indexed
 - The Non-concessional contributions cap, of \$150,000, was unaffected and is determined as six times the concessional limit.
- Government Co-contribution
 - The co-contribution matching rate has been temporarily cut to 100%, from the previous maximum match of 150%. It is expected to rise to 125% from 1 July 2012, and return to 150% by 1 July 2014.



Key Superannuation Limits for 2009/2010

The key superannuation limits have been indexed by a factor of 5.2% in line with the increase in AWOTE (many increases are rounded down to increments of \$5,000).

Note that some transitional arrangements continue to apply.

SG Maximum Earnings Base	2007/2008	2008/2009	2009/2010	Notes
Per Quarter	\$36,470	\$38,180	\$40,170	Contributions are not compulsory on earnings above the Superannuation Guarantee (SG) Maximum Earnings Base.
Per Annum	\$145,880	\$152,720	\$160,680	
Contributions Caps	2007/2008	2008/2009	2009/2010	
Concessional Contributions Cap	\$50,000	\$50,000	\$25,000	Concessional contributions include employer contributions (including salary sacrifice) and personal contributions claimed as a tax deduction by a self-employed person. This Cap is currently indexed by AWOTE and rounded down to increments of \$5,000. <i>A transitional concessional contributions cap, of \$50,000, applies until 30 June 2012 for people aged 50 or over (note that this \$50,000 value is not indexed). If you have more than one fund, aggregate concessional contributions count towards the cap.</i>
Non-concessional Contributions Cap <i>(Equal to three times the concessional cap prior to 2009/2010, and six times thereafter)</i>	\$150,000	\$150,000	\$150,000	Non-concessional contributions can be 'bought-forward', meaning that people under 65 years of age can make non-concessional contributions of up to \$450,000 over a three-year period (for example \$450,000 in year one, then nothing for the next two years).
Super Co-contributions	2007/2008	2008/2009	2009/2010	
Higher Income Threshold (HIT)	\$58,980	\$60,342	\$61,920	The government will match contributions by eligible taxpayers with a 'Super Co-contribution' up to certain limits. For example, an eligible taxpayer who earns at or below the LIT and makes contributions of \$1,000 in the 2009/10 tax year, would receive a Super Co-contribution of \$1,000. Co-contributions fall to zero for those earning more than the HIT.
Lower Income Threshold (LIT)	\$28,980	\$30,342	\$31,920	
Tax Free Parts of Genuine Redundancy	2007/2008	2008/2009	2009/2010	
Base Amount	\$7,020	\$7,350	\$7,732	Under the new legislation, part of a genuine redundancy payment is tax free (a 'Base Amount' plus a service related amount) with the remainder being taxed as an Employment Termination Payment (ETP).
Per Year of Completed Service	\$3,511	\$3,676	\$3,867	
ETP Cap	2007/2008	2008/2009	2009/2010	
ETP Cap	\$140,000	\$145,000	\$150,000	An Employment Termination Payment (ETP) includes certain payments made on termination of employment, such as amounts in lieu of notice or a 'golden handshake'. The amount of a life benefit ETP up to the ETP Cap amount is concessionally taxed. Any amount in excess of the ETP Cap amount is taxed at the top marginal rate.
<i>Transitional arrangement:</i>				<i>Transitional arrangements apply until 30 June 2012 for certain employees who were entitled to a payment as at 9 May 2006. For eligible ETPs, the taxable component is taxed at no more than 15% up to the Lower Cap amount and no more than 30% on any amount between the Lower and Upper Caps. Amounts in excess of the Upper Cap amount are taxed at the top marginal rate.</i>
<i>Lower Cap (Equal to standard ETP cap)</i>	<i>\$140,000</i>	<i>\$145,000</i>	<i>\$150,000</i>	
<i>Upper Cap</i>	<i>\$1million</i>	<i>\$1million</i>	<i>\$1million</i>	