



JUST SUPER

A PUBLICATION OF THE SUPERANNUATION BOARD

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30 JUNE CHECKLIST

The year is flying by and before you know it, it will be tax time again. Many members ask us 'is there anything I can do with my super to reduce my tax'?

Superannuation is designed to help you save for retirement, but if you play your cards right you may find contributing to your super can help you right now.

Salary Sacrificing

Most members must contribute a proportion of their salary into their super. Typically these contributions are made after you have paid income tax, which can be up to 46.5% of your salary.

Salary sacrificing allows you to make super contributions before income tax is paid – which may save you from paying high rates of tax.

If your marginal tax rate is more than 15%, you could benefit by salary sacrificing your super. The higher your marginal income tax rate, the more you could save. People with incomes under \$30,000 or who are on the lowest tax rate are less likely to benefit from salary sacrifice.

Co-Contribution

The super co-contribution is a payment made by the Commonwealth Government into your super account to encourage you to save for retirement. The government contributes \$1.50 for each \$1 you contribute (up to a maximum of \$1,500 per year), if your assessable income is less than \$28,980. The super co-contribution progressively reduces for incomes over this amount and phases out completely at \$58,980.

Even if you don't qualify your partner may.

To be eligible you must:

- make personal super contributions (providing they are not salary sacrifice contributions, and you are not entitled to claim a tax deduction for your personal super contributions);
- have an assessable income (and reportable fringe benefits) of less than \$58,980;
- work for an employer during the financial year;
- be less than age 71 at the end of the financial year;
- not be a temporary resident; and
- lodge a tax return.

Spouse Contributions

A spouse contribution is money you contribute into super for your spouse. If your spouse earns less than \$10,800 per annum, the first \$3,000 of any spouse contribution entitles you to an 18% tax offset (\$540 maximum tax offset per year). And even if your spouse earns up to \$13,800, you may still get a partial tax offset.

A spouse contribution will not qualify for a co-contribution.

CHANGE YOUR BENEFIT ACCRUAL RATE

From 1 July 2005, the Fund introduced an option of allowing all Defined Benefit members to increase their benefit accrual rate from 18% to 21.5% by contributing an extra 3.5% of their superannuation salary. The extra 3.5% may be salary sacrificed.

As this election takes effect on the 1 July after the Superannuation Board receives the notice, members wishing to increase their benefit accrual rate must have the notice into the Superannuation Board by 30 June 2008. The election will remain in force until the Superannuation Board receives notice of its cancellation. The cancellation is only effective from the next 1 July.

CONTRIBUTIONS INTO SUPER

Caps now apply to the amount of an individual's annual super contributions that can be concessional taxed within a super fund. Consider your contribution limits and try to increase contributions to the maximum available.

Concessional (deductible) contributions

Only the first \$50,000 per annum per individual of deductible contributions will be eligible to be taxed at the concessional rate of 15%. Deductible contributions above \$50,000 will be subject to an additional 31.5% tax, making a total tax rate of 46.5%. There are transitional rules allowing individuals aged 50 or over to contribute up to \$100,000 during the year that will be eligible for the concessional tax rate.

Non-concessional (non-deductible) contributions

A \$150,000 per annum limit applied to non-concessional contributions from the start of the 2007-08 financial year. Using the 'bring forward rules', individuals under 65 can contribute \$450,000 over a 3 year period. Excess non-concessional contributions are taxed at 46.5%.

TAKING STOCK FOR INDIVIDUALS

To take full advantage of your superannuation entitlements, consider some questions:

- Have you given your Tax File Number to each and every super fund to which contributions were made on your behalf during the year? If not, do so before 30 June 2008.
- Can you claim a tax deduction for any personal contributions?
- Can you afford to salary sacrifice (for any amounts still to be derived for the remainder of the year)?
- Are you eligible for the government co-contribution? The co-contribution has been extended to the self-employed, provided that at least 10% of the individual's assessable income comes from either employment or from 'carrying on a business'.
- Are you eligible for a tax rebate if you make a superannuation contribution for your dependant spouse?
- Is there any advantage in splitting your contribution with your spouse?
- Should you be commencing a transition to retirement income stream?

Disclaimer:

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TRANSITIONING TO RETIREMENT

Thanks to recent legislation that recognises the varied work environment in which we live, individuals reaching 'preservation age' (generally 55) are now able to access their superannuation without having to permanently retire. For those individuals, there can be advantages in taking a transition to retirement pension, including:

- Zero tax on the earnings within the super fund on the income generated from the assets supporting the pension liability.
- The ability to draw a pension to supplement your income if you have reduced your working hours.
- The ability to keep working and salary sacrifice into superannuation.

Combining salary sacrifice arrangements with a transition to retirement pension can maximise overall benefits to those over age 60 as, in effect, it replaces income subject to the individual's marginal tax rate with tax-free pension income.



ADRIAN RUTTER
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