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Federal Budget 2010-11 and how it impacts your super



Highlights

- > SG rate to be gradually increased from 9% to 12%
- > SG age limit to be increased from 70 to 75
- > New annual Federal Government super contribution of up to \$500 for low-income individuals (income less than \$37,000)
- > Federal Government co-contribution rate to stay at 100%
- > Annual cap of \$50,000 on concessional super contributions for people 50 or over with an account balance of less than \$500,000 to be permanent

This fact sheet is a summary of the proposed changes to superannuation following the Federal Budget and the Henry Tax Review.

It is important to note that these are proposed changes, and have not been legislated to become law. Media Super will provide further updates if the reforms pass into law.

The Federal Government's Budget for 2010–11, released on Tuesday 11 May, confirmed measures for the superannuation changes announced the previous week in the Government's response to the *Report on Australia's Future Tax System*, known as the *Henry Tax Review*. However, the Government announced one new decision – that its recently reduced rate of superannuation co-contributions will now be set permanently at 100%. The five main changes that may affect your super arrangements are detailed below.

1 Superannuation Guarantee (SG) rate to increase from 9% to 12%

The compulsory employer SG contribution is currently 9% of salary. Over the seven years commencing from 2013–14, there will be a phased increase of the SG rate from 9% to 12%. The proposed rate increase is as follows:

INCOME YEAR	RATE (%)	INCREASE FROM PREVIOUS YEAR
2009–10 to 2012–13	9.0%	none
2013–14	9.25%	0.25%
2014–15	9.5%	0.25%
2015–16	10.0%	0.50%
2016–17	10.5%	0.50%
2017–18	11.0%	0.50%
2018–19	11.5%	0.50%
2019–20	12.0%	0.50%

2 SG age limit to rise from 70 to 75

From 1 July 2013, the SG age limit will be raised from 70 to 75. Currently, employers are not required to make SG contributions once an employee has turned 70. The new age limit brings employers' super obligations into line with arrangements for voluntary and self-employed persons' contributions. People aged 65 or over who contribute to their own super accounts will continue to be subject to a work test.

3 New Government superannuation contribution for low-income earners

From 1 July 2012, the Federal Government will contribute up to \$500 annually to the super accounts of individuals on adjusted taxable incomes of up to \$37,000, with the first amounts to be paid in 2013–14. This will be paid on top of any existing co-contribution payments (see following item 4), to make superannuation more attractive to low and middle-income earners.

The maximum contribution will be \$500 on concessional (SG) super contributions* of \$3,330 (the \$500 upper limit will not be indexed).

The contribution will be calculated on the following formula:

$$\text{Your concessional contributions} \times 15\% = \text{Government contribution amount}$$

Example

If your annual income is \$30,000, you receive SG contributions of \$2,700 and you do not have any other concessional contributions, the new Government contribution to your super account will be: \$2,700 x 15% = \$405.

Note: based on 9% SG paid in 2012–13, being eligible for a contribution to be received in 2013–14.

4 Government co-contribution rate to stay at 100%

In the 2009 Budget, the Government reduced its super co-contribution rate from 150% to 100% (to match a maximum post-tax personal contribution of \$1,000), but foreshadowed a staged return to the previous rate from 2012–13. However, in the 2010 Budget, it announced that the 100% rate would now become permanent.

The 2009–10 income threshold levels for the co-contribution (between \$31,920 and \$61,920) will also remain frozen for the next two years.

5 Concessional contributions cap for persons aged 50 or over extended

Currently, fund members aged 50 or over have a transitional cap of \$50,000 per year on their concessional super contributions*. This transitional arrangement ends on 30 June 2012, when the cap will reduce to \$25,000.

However, for over-50s who have less than \$500,000 in their super accounts, the Government will now permanently retain the \$50,000 annual cap on concessional contributions.

* Concessional contributions include all employer contributions, salary sacrifice contributions and self-employed contributions for which a tax deduction has been claimed.

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Contact us
1800 640 886
mediasuper.com.au



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