

# Super News

December 2011 / January 2012



## Superannuation continues to be a hot topic in the media. This edition of Super News focuses on:

- *Changes in Superannuation addressed in the recent mid year budget handed down by the Federal Government, and other changes recently passed*
- *Changes in relation to Self Managed Superannuation Funds (SMSF) purchasing assets from members/related parties*

## Federal Government Mid Year Economic and Fiscal Outlook

The recent Outlook focused on the global factors that have affected the projected calculations for the 2011-2012 Budget by requiring further savings in order to fund policy reforms. These changes and other recent legislative announcements are as follows:

### Superannuation Contributions caps

The limit for concessional superannuation contributions for the 2013-2014 year will remain at \$25,000 pa. Indexation was estimated to increase the limit to \$30,000 however has been frozen at current rates. The freezing of indexation also impacts the non-concessional contribution cap which will remain at \$150,000 pa. The ability to access the bring forward provision to make non concessional contributions up to \$450,000 remains unchanged for those aged under 65.

From 1 July 2012 the concessional contribution cap for all ages is \$25,000 per annum although the proposed new \$50,000 contribution cap for those over age 50 with superannuation balances of less than \$500,000 is still being considered. The government will actively work with industry to formulate the legislation surrounding this reform. More details will be made available closer to the start of the 2013 financial year.

### Pension rates

The 25% reduction in the pension rates will continue to be upheld with the following rates applicable for 2011 and from 1 July 2012:

Age at 1 July	Reduced Rate at 75%
Under 65	3.00%
65-74	3.75%
75-79	4.50%
80-84	5.25%
85-89	6.75%
90-94	8.25%
95 or more	10.50%

### Maximum age for compulsory super

The government has confirmed as of 1 July 2013, there will be no upper age limit on the payment of the superannuation guarantee to employees (previously, it was not payable to employees over the age of 70). This change only applies to superannuation guarantee and not to salary sacrifice or non concessional contributions. It is believed that this will provide incentive for older workers to remain in the workforce.

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## Superannuation Guarantee increase

The government has introduced legislation to increase superannuation guarantee contributions from 9% to 12% (progressively) commencing from the 2013-2014 income year. Contribution limits will need to be monitored closely to take account of these changes.

## Co-contribution scheme

From 1 July 2012, tax on superannuation contributions will be refunded up to a maximum of \$500. This scheme will be available to low income earners earning up to \$37,000. The contributions tax will be automatically refunded to the superannuation fund.

For this scheme to be made available, the existing co-contribution scheme will be reduced. The current \$1 for \$1 matching will be reduced to 50c. The maximum contribution will also be reduced from \$1,000 to \$500. The threshold applicable for the co-contribution scheme to be entitled to a partial entitlement will be reduced from \$61,920 to \$46,920.

If you will be affected by this change, make sure your superannuation contribution is received by your superannuation fund by 30 June 2012 in order to be eligible for the final year of \$1 for \$1 matching.

## Assets able to be purchased by an SMSF from a member/related party

From 1 July 2012, shares and managed funds will no longer be able to be purchased by an SMSF from a Member/related party of the Fund via off-market transfers. As there is an active and specific market for the purchase and sale of these assets, the SMSF will be required to purchase these from the specific market.

Consequently, if a Member/related party owns investments personally which would be more appropriately held by the superannuation fund, the Member/related party must sell these on the ASX, and then contribute these proceeds to their superannuation fund, considering contribution limits. The superannuation fund can then use these cash proceeds to purchase a similar holding in the shares from the ASX. Similarly if the SMSF is selling an asset to a member or related party, the same on market rules will apply.

Where there is no specific market for the investment, for example with commercial real property, then the investment may still be able to be purchased from a Member or related party. Acquisitions or transfers of commercial real property can still continue after 1 July 2012. However, any transfer of assets which cannot be carried out "on market" will require a valuation to be obtained from a suitably qualified independent valuer.

If you are considering the transfer or acquisition of shares or managed funds by your SMSF from a member or related party, via an off-market transfer, ensure the transaction will take place prior to 30 June 2012. Please note the legislation regarding this issue is still to be passed and is subject to change.

For more information or assistance on these topics please contact Alice Kase or Vanessa Rae, or your PwC representative



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