

### The 2010 Federal Budget:

- Proposals that may affect UniSuper members
- Additional minor superannuation proposals
- Other Budget proposals for individuals and families
- The Government response to the Henry review
- Personal income tax thresholds from 1 July 2010

From a superannuation perspective, the Budget was largely unspectacular. Overall, it was pitched as a responsible means to strengthen the Australian economy and return the overall Budget to surplus in three years.

Very few changes for superannuation were announced, other than the information previously released as part of the Federal Government's response to the Henry Review of Australia's Future Tax System.

#### ***Important note – Budget announcements are proposals at this stage!***

*The 2010 Budget contains a number of measures that will be phased in over various timeframes, which may be confusing. Further information and specific detail will be provided as it is clarified. In addition, the announcements in the 2010 Budget will generally require the passage of legislation through the parliament prior to coming into effect.*

*For this reason, Budget proposals should not be regarded as final until the legislation has been passed.*

### Budget proposals that may affect UniSuper members

In addition to confirming changes announced in the Government's response to the Henry review, the 2010 Budget contained several (relatively) minor proposals for superannuation.

#### Superannuation co-contribution scheme reduction

In last year's Budget, the Government reduced the matching rate for superannuation co-contributions to 100% and the maximum Government superannuation co-contribution to \$1,000.

Co-contributions are additional contributions that the Government makes to the superannuation accounts of eligible lower income workers who make after-tax contributions.

Last year, the Government indicated that the reduction was temporary. However, the matching rate of 100% and the maximum superannuation co-contribution of \$1,000 will be retained permanently.

The co-contribution eligibility income thresholds will be frozen for the next two years at their present levels of \$31,920 (in order to receive the full co-contribution of \$1,000) phasing out completely at \$61,920.

#### Concessional and non-concessional contribution caps

There were no immediate changes announced to these contribution caps. Please note, however, the Federal Government's initial response to the Henry Tax Report into Australia future tax system (released on 2 May 2010) did contain a proposal for higher concessional contribution caps for targeted groups, which was confirmed in the Budget. (See the item on page 3 for more details.)

## Additional minor superannuation proposals

The Government also released a number of other superannuation measures including:

- permitting complying superannuation funds and retirement savings account providers to deduct a wider range of benefits, including terminal medical condition benefits
- facilitating the transfer of unclaimed superannuation monies held by the state and territories to the Tax Office
- extending the existing merger relief for superannuation funds past the 2010–11 income year
- increasing the time limit for deductible employer contributions made for former employees
- clarifying the due date of the shortfall interest charge for the purposes of excess contributions tax, and
- allowing the Commissioner of Taxation to exercise discretion for the purposes of excess contributions tax before an assessment is issued.

## Other Budget proposals for individuals and families

- From 1 July 2011, the Government will provide a 50% tax discount on up to \$1,000 of interest earned by individuals on a range of savings products, including deposits with banks, building societies and, credit unions.
- From 1 July 2012, individual taxpayers will be entitled to an optional standard deduction for work-related expenses of \$500 per annum, increasing to \$1,000 from 1 July 2013.

## (Old news) – The Government response to the Henry review

The 2010 Budget also confirmed the Government's initial response to the Henry review released on 2 May 2010.

The response to the Henry review of Australia's future tax system proposed:

1. increasing the Super Guarantee from 9% to 12%
2. increasing the Super Guarantee age from 70 to 75
3. introducing Government savings incentives for low-income earners, and
4. setting a higher concessional contribution cap for targeted groups.

### 1. Increase in Super Guarantee from 9% to 12%

The Superannuation Guarantee (SG) rate will increase from 9 per cent to 12 per cent by small annual increments from 1 July 2013 to 1 July 2019.

The SG rate will be increased gradually with initial increments of 0.25 percentage points on 1 July 2013 and on 1 July 2014. Further increments of 0.5 percentage points will apply annually up to 2019–20, when the SG rate will be set at 12 per cent.

### 2. Increase in Super Guarantee age from 70 to 75

To give mature workers an incentive to remain in the workforce, the SG age limit will rise from 70 to 75 from 1 July 2013. The new SG age limit will now match the age limit for voluntary and self-employed contributions.

### 3. Government savings incentives for low-income earners

Currently, as a result of the flat tax rate for all superannuation concessional contributions, low-income earners receive little or no tax advantage.

The Government will provide a superannuation contribution of up to \$500 annually for individuals with an adjusted taxable income of up to \$37,000. This will be calculated by applying a 15 per cent matching rate to the concessional contributions made by or for individuals on adjusted taxable incomes of up to \$37,000, with an annual maximum amount payable of \$500 (not indexed).

The amount will be paid into the member's super account directly. Concessional contributions made from 2012–13 will be eligible for the Government contribution. This will be paid in 2013–14.

### 4. Higher concessional caps for targeted groups

This proposal is designed to target super concessions to those with the greatest need to build their retirement savings. For example, those with lower superannuation savings, such as women with broken work patterns, will be able to make additional 'catch-up' contributions close to retirement.

Currently, transitional arrangements double the concessional contributions cap of \$25,000 (to \$50,000) for those aged 50 or over. This transitional arrangement will expire on 30 June 2012.

From 1 July 2012, a separate higher concessional contributions cap of \$50,000 (indexed) will be in place for those aged 50 or over who have total superannuation balances of less than \$500,000.

### Personal income tax thresholds from 1 July 2010

The Government has confirmed the rate of income tax that will be levied from 1 July 2010. Note: This was not a proposed change in the Budget.

- The 30% threshold will increase from \$35,000 to \$37,000.
- The 38% marginal tax rate is decreased to 37%.

Tax threshold (\$)	Tax rate % *
0 - 6,001	0
6,001 - 37,000	15
37,001 - 80,000	30
80,001 - 180,000	37
180,001+	45

\* plus Medicare Levy



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UniSuper: ABN 91 385 943 850

Trustee: UniSuper Limited, ABN 54 00 027 121

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