



Newsletter articles – January 2012

Mid-year economic and fiscal outlook 2011/12

On 29 November 2011 the Deputy Prime Minister and Treasurer, the Hon Wayne Swan MP, released the Mid-Year Economic and Fiscal Outlook (MYEFO).

Mr Swan made a number of announcements to superannuation and taxation which may be of interest to Centric Wealth clients.

Superannuation

Reduction in the minimum payment amount for account based pensions in 2012/13

The Government has announced that the current 25% reduction in minimum payment amounts for account based, allocated, and market linked income streams will be extended for a further 12 months for 2012/13.

While the Government indicated that the minimum payment amounts would return to normal in 2012/13, the Government acknowledges that the equity markets continue to be volatile.

The Government has stated that regulations to give effect to this change will be made prior to the end of this financial year.

Abolishing the maximum superannuation guarantee age limit

The Government will remove the superannuation guarantee (SG) maximum age limit with effect from 1 July 2013. This will make it compulsory for employers to provide SG contributions for employees aged 75 or older. Employers will also be able to claim a tax deduction for SG contributions for employees aged 75 and over.

This measure is included in the Superannuation Guarantee (Administration) Amendment Bill 2011 which recently passed the House of Representatives on 22 November 2011.

Concessional contribution cap indexation pause

The Government will pause the indexation of the superannuation general concessional contributions (CC) cap for one year in 2013/14 so that it remains at \$25,000.

Indexation of the cap will be deferred until 2014/15 when the cap is expected to rise to \$30,000.

The pause in indexation of the general CC cap will also result in a pause in the indexation of the CC cap for individuals aged 50 and over and the non-concessional contributions cap.



Low income superannuation contribution

As announced in the 2010/11 Federal Budget, the Government proposed that from 1 July 2012, the 15% contributions tax for employees earning up to \$37,000 pa will be refunded into their superannuation accounts.

Legislation to give effect to the low income superannuation contribution (LISC) measure was introduced into Parliament on 2 November 2011 (as part of Tax Laws Amendment (Stronger, Fairer, Simpler and Other Measures) Bill 2011) and the legislation reflects a number of changes to the original proposals, such as:

- Eligible workers will not be required to lodge an income tax return to be eligible for the Government contribution as the ATO will verify an individual's income using available data
- Individuals must satisfy an income test in which 10% or more of their total income is derived from business or employment
- Payments will only be made if the LISC entitlement is more than \$20

Co-contribution for low income earners

From 1 July 2012, the Government proposes to halve the maximum Government co-contribution by 50% with a maximum co-contribution of \$500 for people with incomes up to \$31,920.

The maximum co-contribution payable will continue to phase down at 3.333 cents per dollar of total income above \$31,920, phasing out to nil once total income reaches \$46,920.

Clarifying the operation of certain superannuation trust deed clauses

The Government has become aware of situations where some superannuation funds may include a clause in their trust deeds that treats a contribution made to the fund as not having been received if it would lead to a breach of one of the member's contribution caps.

The Government proposes changes that, regardless of any clauses in a fund's trust deed, would deem the fund to have accepted such contributions where the contribution has not been returned promptly and has intermingled with assets of the fund.

Taxation

50% discount for interest income

As announced in the 2010/11 Federal Budget, the Government plans to provide a 50% tax discount for interest income earned by individuals, including through trusts or managed investment schemes.

The start date of the 50% discount for interest income will now be deferred until 1 July 2013.



Standard deduction for work related expenses and the cost of managing tax affairs

As recommended in the Henry Tax Review and in the 2010/11 Federal Budget, the Government plans to provide individuals with a standard tax deduction for work related expenses and the cost of managing their tax affairs.

The start date of the standard deduction for work related expenses will now be deferred until 1 July 2013.

Dependent spouse tax offset

The Government proposes to restrict eligibility for the dependent spouse tax offset to individuals with spouses born before 1 July 1952 from 1 July 2012.

This change extends the 2011/12 Federal Budget measure to phase out the offset for taxpayers with a dependent spouse born on or after 1 July 1971.

Early release of superannuation benefits

On 14 October 2011, the *Superannuation Legislation Amendment (Early Release of Superannuation) Bill 2011* received Royal Assent.

This Act transfers the administrative responsibility for processing the early release of superannuation on compassionate grounds from the Australian Prudential Regulation Authority (APRA) to the Department of Human Services (DHS) on 1 November 2011. Centrelink, Medicare and the Child Support Agency are all now part of DHS.

All application forms for the early release of superannuation benefits must now be sent to the DHS and not to APRA. There has been no change to the grounds for the early release of superannuation.

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