

Charter Partners Tax & Business Tips Superannuation Funds – Co-Contribution (Changes Effective from 1 July 2012)

Middle-income earners putting aside voluntary super will pay the price for tax concessions for lower earners, as part of the government's cost savings.

From 1 July 2012, the government will slash the popular super co-contribution from \$1 to 50c, reducing the maximum benefit from \$1,000 to \$500.

The measure also means that those earning more than \$46,920 will no longer get a partial benefit compared with an upper income threshold of \$61,920 this year.

Savings will also be made by freezing the super contribution caps until 2013 and deferring the introduction of the proposed tax break on savings and the standard tax deduction for work-related expenses.

Assistant Treasurer, Bill Shorten, said the co-contribution was being cut because the new low income super contribution would benefit more than three times as many people.

He said 3.6 million low-income earners were expected to receive the benefit which refunds the 15 percent contributions tax for those earning less than \$37,000.

It will also be streamlined so that the refund is paid automatically to members' super accounts without them needing to lodge tax returns.

But in a new measure, lower earners who receive less than 10 percent of their income through employment or business will not be eligible.

This is the second time that the government has cut the co-contribution, having already reduced the rate at which it matches employee's voluntary contributions from \$1.50 to \$1 in 2009.

While disappointed with the latest cut, Australian Institute of Superannuation Trustees chief executive, Fiona Reynolds, said the changes had to be targeted to those who needed it most.

"It has been clear for some time that low-income earners - who currently do not receive any tax benefits from compulsory super contributions - deserve a better deal," she said.

Association of Superannuation Funds of Australia chief executive, Pauline Vamos, said the cut made it more critical that compulsory super contributions be lifted from 9 to 12 percent.

Retirees were granted a reprieve, with the government extending the current relief for minimum pension payments until 1 July 2013, because of continuing volatile investment markets.

If you want to know more about the upcoming changes for Superannuation Funds, please click [here](#)