



Give your super an extra helping hand

2010 Federal Budget Proposals

Measures announced in the 2010 Federal Budget proposed to retain the maximum co-contribution payable at \$1,000 rather than the phased increase described below. Further, it was proposed to freeze indexation of the income thresholds for the 2010/11 and 2011/12 financial years.

How do I qualify for a Co-contribution?

You qualify for a Co-contribution if:

- you make personal superannuation contributions by 30 June each year to a complying superannuation scheme or fund
- you make these superannuation contributions (that will qualify for a Co-contribution) directly into your account (contributions to your spouse's account do not qualify)
- 10% or more of your "Total Income" is from eligible employment, running a business or a combination of both
- your "Total Income" (as determined by the ATO) is less than the Higher Income Threshold (indexed annually to reflect changing average wages) in the year you are seeking the Co-contribution. The Higher Income Threshold for the income year 2010/11 is \$61,920.
- you are less than 71 years of age at the end of the year of income
- you are a permanent resident of Australia
- you lodge an income tax return.

What does this mean for me as a Defined Benefit Scheme contributing member?

Good news! As a Defined Benefit Scheme contributing member, you may already be making post-tax contributions, so you may already be satisfying points a and b in the preceding list.

However, to qualify for the Co-contribution, you will still need to have "Total Income" of less than \$61,920 and meet the rest of the eligibility requirements.

Do I need to have my eligibility for the Co-contribution assessed?

No. The ATO determines whether you are eligible, combining information it receives from your tax return and the Scheme.

The ATO determines your eligibility based on your "Total Income". This is calculated by adding the total of your "assessable income" and "reportable fringe benefits". The ATO then reviews details of any superannuation contribution provided by the Scheme that may be eligible for a Co-contribution.

Once the ATO has this information, they then determine whether you are eligible for a Co-contribution and the amount of the payment.



How much is the Co-contribution?

The Co-contribution is a matching contribution; \$1 for every \$1 subject to a maximum of \$1,000 from 2010/11 until 2011/12. After this period, the maximum will increase to \$1,250 from 2012/13 to 2013/14 and from 2014/15 will be set at \$1,500

This maximum starts reducing once your "Total Income" exceeds \$31,920 (down to zero once your income reaches \$61,920). Provided you are entitled to receive co-contributions, the minimum amount payable is \$20.

The Co-contribution examples table below gives you a guide as to how it works.

Who will pay the Co-contribution?

The Commonwealth Government pays the Co-contribution.

When will I receive my Co-contribution?

The Co-contribution applies to eligible contributions made in each financial year since 1 July 2003. Your Co-contribution will be calculated after you have lodged your tax return and the ATO has received contribution information from your super Scheme.

The Scheme will send in the required information to the ATO by 31 October following the end of the financial year. So it really depends on when you send in your tax return. Remember, the ATO will require all of this information to determine who is eligible and how much needs to be paid.

How will I receive my Co-contribution?

The Co-contribution payment will generally be made to the same superannuation fund which reported the superannuation contribution for that year as a personal (post-tax) contribution.

If you have more than one superannuation fund, you are able to nominate the fund you wish to receive the Co-contribution.

If you have not nominated an account, the Co-contribution will be made to the fund which reported the highest personal contribution amount for that year.

The ATO will also send you a letter with details of your Co-contribution amount after it has been deposited into your superannuation fund.

The Co-contribution must be preserved in the Scheme (it can only be accessed when other preserved amounts can be accessed).

Remember, your super scheme must have your tax file number (TFN) to accept your Co-contribution.

How will my Co-contribution be taxed?

The Super Co-contribution is tax-free, both on the way into and out of your Scheme. However, the earnings on the super Co-contribution will be taxed like any other earnings within the superannuation scheme.

Co-contribution payment examples for various levels of income/contribution (made from 1 July 2009)

	Total Income (p.a.)					
	Up to \$31,920	\$37,920	\$43,920	\$49,920	\$55,920	\$61,920 and above
Example 1 Your after-tax contribution of \$500 p.a.	\$500	\$500	\$500	\$400	\$200	\$0
Example 2 Your after-tax contribution of \$1,000 p.a.	\$1,000	\$800	\$600	\$400	\$200	\$0
Example 3 Your after-tax contribution of \$2,000 p.a.	\$1,000	\$800	\$600	\$400	\$200	\$0



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Should I review my current contribution strategy?

Every time superannuation tax rules change, you should review your arrangements.

Because each situation is different, we recommend you contact Member Services on 1300 369 901. A Member Services Officer can help you with basic information and if your situation is more complex they can put you in touch with a FuturePlus Financial Planner.

Need further information?

If you would like further information or the address of your local branch please visit our website at www.eisuper.com.au or contact Member Services on 1300 369 901 between 8.30am and 5pm on any business day.

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