



# BUDGET REVIEW 2011



Whilst there were no new announcements in the Federal Budget regarding superannuation, there were some clarifications provided regarding previously announced proposed policies.

## Excess contributions tax relief

At present, if you exceed the concessional cap by any amount, the excess amount is taxed at 31.5%, which is in addition to the 15% contributions tax paid on the initial contributions, giving a total taxed amount of 46.5%.

It is proposed from 1 July 2011 that individuals who breach their concessional contributions cap by up to \$10,000 can request that these excess contributions be refunded to them. The refunded contributions are then taxed at the taxpayers' marginal rate and there are no amounts over the concessional cap.

This will only apply in the first year that the breach occurs and will only ever occur once.

## Over 50's concessional contribution cap indexation.

From 1 July 2012, the concessional cap for over-50's will be at least \$50,000 (indexation with AWOTE) if a member's account balance is less than \$500,000 (it should be noted that legislation for these changes are not

yet passed for this measure). If the account balance is over \$500,000 then the concessional cap will be \$25,000 or whatever the indexed amount is at 1 July 2012.

From 1 July 2012, the over-50's cap will always be \$25,000 more than the under-50's cap (even once it has been indexed).

## Minimum pension payment relief 2011/2012

The minimum pension drawdown relief introduced by the Government during the Global Financial Crisis will be phased out by 2012/2013.

The Government has deemed that a member only has to withdraw 75% of the legislated minimum pension payment for the 2011/2012 year.

For example a member aged 65 must withdraw 3.75% of their account balance for the 2011/2012 year, rather than 5% under the regular minimum pension payment rules.

## Co-contribution threshold to remain the same.

The income levels at which co-contributions start reducing (\$31,920) and cut out all together (\$61,920) will remain unchanged for the next 12 months.