

Dear Client

Superannuation Fund Newsletter 2008

Yes it is tax time once again! I would like to quickly update you on the happenings at JSA Accounting. As you may know we have been operating out of 2 buildings on Hillier Road for the last year or so. In May this year, we decided it was time to consolidate into one building so you will now find all of us in the one building at **62 Hillier Road, Reynella**. Although we only needed to move next door there was a huge amount of work involved but we are now settled and enjoying being in new (for some of us) surroundings.

We have included our checklist of items required to process your superannuation fund financial statements and tax return. Please use this checklist when collating your information. Not all of the documents will be relevant to your particular fund but we think you will find the checklist useful when collating your documents. We would be pleased if we could have your Super Fund information no later than 30 November 2008 to enable us to plan our workflow so that all of our clients have their returns lodged by the due date.

I would like to introduce you to one of my staff, Melissa Probert who assists me in the super fund area. Melissa has been with JSA Accounting since October 2001 and is our superannuation specialist. Melissa is a member of the CPA and has degrees in Accounting and Economics. Many of you have either met Melissa in person or spoken to her over the phone. For many years Melissa has processed your super fund data into our "Simple Fund" software and produces financial statements and the tax return. I then conduct the audit. It is a requirement of the CPA professional code and general ATO principles that accounting and audit functions are performed independently. So, you may receive a telephone call from Melissa if she has any queries or if there is any information outstanding when she is processing your fund. Please assist Melissa as best you can with her queries. Melissa works Mondays, Wednesdays and Thursdays and is happy to answer your super fund queries if I can not be contacted.

Simpler Super Initiatives

The Australian Government introduced Simpler Super from 1 July 2007 which significantly changed the super environment in Australia. Please review the following initiatives and if you would like further information please contact our office as soon as possible.

Limits On Concessional Contributions To Superannuation

From 1 July 2007, concessional contributions made to superannuation are subject to an annual cap of \$50,000. Concessional contributions include employer contributions (including

contributions made under a salary sacrifice arrangement) and personal contributions claimed as a tax deduction by a self-employed person.

For those people who have more than one fund, all non-concessional contributions made to all of the funds will be added together and the total contributions will be subject to the cap.

Concessional contributions over the \$50,000 cap will be taxed at an additional 31.5%. Superannuation funds can be asked to release money to pay this excess contributions tax.

Tax-Free Benefits For People Aged 60 And Over

People 60 years of age and over receiving superannuation benefits from a taxed source (ie most super funds), can receive payment of a benefit as a lump sum or an income stream, such as a pension, free of tax. Benefits will continue to be taxed when received for those people receiving superannuation from a source that is not taxed (usually government funds). Those people may be entitled to a tax offset reducing the tax payable on their benefits.

Limits On Non-Concessional Contributions To Superannuation

From 1 July 2007, non-concessional contributions made to superannuation will be subject to an annual cap of \$150,000. Non-concessional contributions include personal contributions for which an income tax deduction is not claimed.

People under 65 years of age will be able to make non-concessional contributions of up to \$450,000 over a three year period. In other words they will be able to make a non-concessional contribution of over \$150,000 in one year, as long as, over a three year period, contributions do not exceed \$450,000.

Non-concessional contributions over the cap will be taxed at the rate of 46.5% and you will be required to ask your superannuation fund to release an amount that is equal to the tax liability.

Pension Payment Amounts after 1 July 2007

Under the new rules that are effective from 1 July 2007, a minimum payment must be made per financial year. This can be taken in a number of payments (eg monthly or once per year). The required minimum payment is based on a percentage of the pensioner's account balance, calculated on a pro rata basis for the first part year to 30 June, then recalculated each 1 July for the coming financial year. NOTE: There is no maximum limit to the amount which can be drawn.

The percentages used to calculate the minimum payment are based on the age of the pensioner at the time of calculation and are as follows:

Age	Percentage
Under 65	4 %
65 – 74	5%
75 – 79	6%
80 – 84	7%
85 – 89	9%
90 - 94	11%
95 and over	14%

Taxation of income stream payments

The tax on a superannuation income stream depends on whether the pensioner has reached age 60. The treatment is as follows:-

	Pensioner 60 and over	Pensioner between preservation age and age 60	Pensioner under preservation age
Tax Free Component	Received tax free	Received tax free	Received tax free
Taxable component	Received tax free	Taxed at marginal rates with a 15% rebate	Taxed at marginal rates

Supervisory Levy

From the 2007 – 08 financial year, the supervisory levy will increase from \$45 to \$150.

Tips from your accountant

1. Transition to Retirement Rules - If you are 55 years and over, you can continue to work and receive a pension from your super fund in a tax friendly environment. This is a very powerful strategy that can add significant value to your super fund during your working years prior to retirement.
2. If you would like to know how to set up your super fund to be tax effective for your beneficiaries, please seek our advice. Your super fund can take certain actions to ensure your beneficiaries receive the maximum tax free benefits in the event of your death.

If you wish to receive more information about either of these options, please contact us.

We look forward to being of service to you again this year.

Robert L Julian
Director