March 2007

super alert

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"Private business owners get once-off opportunity to accelerate their wealth accumulation."

New superannuation rules affect every Australian and, for most, action is required by 30 June 2007.

Fact 1 Ageing population
According to the ABS, Australians aged 65 or over will increase from 13% of the population in 2003 to 21.3% in 2033.

Fact 2 Forget the pension
The ability of the government to fund an adequate level of retirement is now being openly questioned.

Fact 3 Don't rely on your employer
The compulsory 9% employer contribution to superannuation will generate a pool of funds at retirement which most Australians will struggle to live on.

Fact 4 Make hay while the sun shines
The new superannuation rules provide substantial tax incentives for Australians to save for their own retirement.

Fact 5 2007 is the golden year
The transition from the old rules to new rules provides unique, one-off opportunities, some of which exist only until 30 June 2007.

Fact 6 People assume it doesn't apply
Individuals need to look at the new rules, and think creatively to determine if they can do anything to take advantage of them.

Grant Thornton are specialist advisers to private business and their owners.
Contact one of our advisers to see how you can take full advantage of these new superannuation rules prior to changes occurring at 30 June 2007.

- **Are you a private business owner?**
- **Do you have commercial property, shares or other wealth outside of superannuation?**
- **Do you intend to sell your business in the next five years?**
- **Are you considering retirement in the next few years?**
- **Are you 55, employed and with significant wealth in superannuation?**
- **Have you always considered your business to be your superannuation nest egg?**

If so, there are specific wealth accumulation strategies for you.

Recapping the changes

- Deductible contribution limits will change from 1 July 2007.

Age	Current	From 1 July 2007
Under 35	$15,260	$50,000
35-49	$42,385	$50,000
50 and over	$105,113	$100,000 *

*Up to 2012 only. Thereafter, limit is $50,000 pa.

- Self-employed contributions are currently only partially tax-deductible ($5,000 + 75% of excess over $5,000). From 1 July 2007, self-employed contributions will be fully tax-deductible (subject to the age-based limits above).
- Previously, there was no limit to undeducted contributions (contributions from post-tax dollars). However, there is a transitional limit of $1 million per person for amounts contributed between 10 May 2006 and 30 June 2007.
- Undeducted contributions from 1 July 2007 will be limited to $150,000 per annum. Individuals under age 65 will be able to "average" their undeducted contributions over three years. Therefore, $450,000 can be contributed provided no further funds are contributed in the next two years.
- In addition to the undeducted contribution limits mentioned above, another $1 million may be able to be contributed from proceeds received on the sale of a business or property to which Capital Gains Tax (CGT) small business concessions apply.
- All pensions or withdrawals paid to a member of a superannuation fund who is over 60 years old will be completely tax free from 1 July 2007.
- Reasonable Benefit Limits (RBLs) are abolished.
- Pensions paid to persons 55–60 years of age will receive a full 15% rebate (even if amounts in superannuation funds were previously deemed excessive, or over RBL).
- Once the superannuation fund has commenced paying pensions, that member's percentage of the fund is subject to 0% tax on fund earnings.

Strategies

- Employees should make every effort to build superannuation with deductible contributions in excess of the employer 9% contribution through salary sacrifice.
- Over 55s should consider salary sacrificing maximum amounts into superannuation while drawing down on pensions to fund lifestyle. Super earnings will then attract nil tax rate, while pension income may attract less tax than salary income.
- Business owners should consider their ability to make employer contributions as well as self-employed contributions prior to 30 June 2007, both of which are tax-deductible.
- Business owners who are likely to have a large capital sum in the near future (sale of business and/or properties) should consider borrowing up to $1million per person to contribute as an undeducted contribution. It will be more difficult to make contributions later.
- Look at moving investments in your own name (from high marginal tax rates) into a concessionally taxed superannuation environment.
- Consider other capital-raising options such as a planned downgrade of the family residence and contributing as deductible or non-deductible into superannuation.
- Business owners should review their net asset position and/or consider their gearing position to ensure that they can access CGT small business concessions on the future sale of their business, so that up to $1 million of the proceeds of sale can be contributed.
- Owners of growing businesses that may exceed net asset tests in the future may choose to crystallise a sale event (to a new structure) in order to satisfy CGT concessions while they still can.
- Contact one of our wealth accumulation specialists to see what specific planning opportunities can be applied to your circumstances.

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