

The Henry Tax Review

What is the Henry Review?

In May 2008, the Rudd Government appointed a panel chaired by Ken Henry, the Secretary to the Treasury, to undertake a review of Australia's current tax system and to make recommendations on what an efficient and fair future tax system could look like.

The Government released the report of the **Review into Australia's Future Tax System** and the Treasurer, Wayne Swan provided the Government's response to this review on Sunday 2 May 2010.

The proposals outlined in the Government's response include a number of positive changes to superannuation, designed to support and boost your retirement savings.

It is important to note that these are only proposals at this stage. To be effective, they will need to be passed as legislation through the Federal Parliament.

The timing of when this legislation will be passed is currently not known.

What are the key proposals that impact super?

1. Compulsory Super Guarantee Contributions (SGC) to rise

Compulsory SGC contributions paid into your super account by your employer will rise gradually from 9% to 12% over a period from 2013 to 2020. This is designed to increase your savings for retirement and reduce the cost to future Governments of providing the Government Aged Pension.

SGC rate changes	
Year	Rate (%)
2013-14	9.25
2014-15	9.5
2015-16	10.0
2016-17	10.5
2017-18	11.0
2018-19	11.5
2019-20	12.0

These contribution rates are the required minimum payable by an employer. For a number of employees in the Qantas Superannuation Plan, their super contribution rates are already above the minimum levels shown in the table.

2. Contribution caps to change for people aged 50 and over

If you are aged 50 or more, and have less than \$500,000 in super, you may be able to take advantage of a higher cap on concessional contributions. Remember, this concessional contribution cap includes SGC contributions from your employer, and salary sacrifice amounts you contribute.

The concessional contribution cap for those who are aged 50 and over was due to be reduced from \$50,000 to \$25,000 per financial year from 1 July 2012.

Under the Government's new proposals, the concessional contribution cap will remain at \$50,000, effective from 1 July, 2012. It is intended that this cap will be indexed and therefore increase over time.

The non-concessional contribution caps, which are contributions made by you after-tax, will remain at the current level of \$150,000 per financial year.

3. An extra benefit if you earn less than \$37,000 per year

If your adjusted taxable income is less than \$37,000 a year, the Government will make an automatic contribution to your super account equal to 15% of your concessional contributions. The maximum contribution from the Government for this will be \$500 each financial year.

This is designed to boost your super account balance and to compensate you for the 15% contributions tax that is deducted from your concessional contributions each year.

This is intended to apply from 1 July 2012, with the first contribution from the Government occurring in the 2013-2014 financial year, after you have lodged your tax return.

This will be in addition to the current Government co-contribution scheme.

Let's look at an example.

John works part-time and has an adjusted taxable income of \$34,000 in the financial year 2012/2013.

John's employer contributes 9% of \$34,000 as SGC in the 2012/2013 financial year which equals \$3,060.

Qantas Superannuation Plan must deduct 15% contributions tax from the \$3,060 contributed by the employer which equals \$459.

Under this new proposal, after John lodges his 2013 tax return, the Australian Taxation Office (ATO) would calculate and send the Plan \$459 to be paid into John's super account.

We await further detail on this measure to determine how it will apply to the various divisions of the Plan. There will be further communication to members prior to the implementation date of this proposed change.

4. Superannuation Guarantee Contribution (SGC) to be paid to age 75

Currently, once you reach age 70, SGC is not payable by your employer on your earnings.

With individuals staying in the workforce longer, the Government has raised the SGC age limit from 70 to age 75, effective from 1 July 2013.

Will there be more changes to super?

There has been a lot of media coverage recently about superannuation due to a number of other Government initiated reviews, including:

- **The Cooper Review**, which is a full review into the superannuation system, including its governance, efficiency, effectiveness and its products. One of the recommendations, the creation of a low cost account called 'MySuper', was released publicly in a preliminary report on 20 April 2010. How 'MySuper' applies to the Plan will depend on what the Government decides to implement.
- **The Ripoll Inquiry** was a review into the provision of financial advice in the wake of investors losing their savings in investment schemes and companies such as Storm Financial and Opens Prime. Its report was released in November 2009.
- **The 2010 Federal Budget** will be delivered on Tuesday 11 May 2010.

Be assured that if there are proposals or changes that will have an impact on you and your superannuation, we will keep you informed and up-to-date with a Super News update on our website – www.qantassuper.com.au