Additional Information Flyers Superannuation

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Oreana Financial Services Pty Ltd
AFSL No. 482234
ABN 91 607 515 122

Level 17, 627 Chapel Street

South Yarra VIC 3141

T 03 9804 7113
E info@oreanafinancial.com

Co-contribution

Making a non-concessional contribution into superannuation to attract a co-contribution provides a significant boost to your retirement savings.

Benefits

- Your retirement savings will increase more quickly due to the compounding effect of making personal contributions and receiving the superannuation co-contribution.
- Your tax-free component will increase. This component is not taxable if withdrawn prior to age 60 or if paid to a non-tax dependent (such as an adult child) after your death.
- The additional contributions can help to cover the cost of insurance premiums if you hold insurance inside superannuation.
- You may be able to achieve a higher after-tax rate of return compared to investing outside superannuation because earnings inside superannuation are taxed at a maximum rate of just 15%, whereas earnings outside superannuation are generally taxed at your marginal tax rate.

How it works

The superannuation co-contribution is a government initiative to help people on low to medium incomes to boost their superannuation savings. To be eligible for the co-contribution, you need to meet all of the following criteria:

- make an eligible non-concessional (after-tax) contribution into a complying superannuation fund during the financial year (and before you reach age 70)
- have total income (minus any allowable business deductions) for the financial year less than $57,016 for the 2022/23 financial year
- have 10% or more of your total assessable income coming from employment or business income (or a combination of both)
- have not held a temporary visa at any time during the financial year (unless you are a New Zealand citizen or holder of a prescribed visa)
- lodge an Australian income tax return for the relevant financial year
- you have a total superannuation balance of less than $1.7 million at 30 June prior to making your contribution and you have not made non-concessional contributions of more than $110,000.

If you are an employee, your total assessable income to determine eligibility is the sum of your assessable income (before tax deductions), reportable fringe benefits and reportable employer superannuation contributions (which include salary sacrificed contributions). If you are self-employed, your total income is your gross assessable income (before business deductions).

The Australian Tax Office (ATO) will determine your eligibility for the co-contribution after receiving your tax return for the relevant year.

Calculating your entitlement

If eligible, the ATO will pay your co-contribution directly into your superannuation account. This payment is tax-free and does not affect your taxable income.

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Your entitlement is based on the amount you have contributed into superannuation and your total annual assessable income. If your total annual assessable income is less than $42,016 you could receive up to $500, with the government co-contributing $0.50 for every dollar you contribute until this limit is reached.

If you have higher income your maximum co-contribution reduces by 3.333c for every dollar that you earn over $42,016. You will not receive any co-contribution if your total annual assessable income exceeds $57,016 for the 2022/23 financial year.

If you run your own business, your gross income (before deductions) is used to check that at least 10% of your total income is from business, so you can apply for co-contribution. But when you are calculating how much you can receive, your net business income (after-deductions) is used. Deductions for personal superannuation contributions are not included.

Example:
Alice earns $45,000 per year from a small business she runs as a sole trader. She also has $11,000 per year of income from interest and dividends and $13,000 of business tax deductions. Alice is eligible to receive co-contribution if she makes personal contributions as her gross business income ($45,000) is more than 10% of her total income ($56,000).

The maximum co-contribution Alice is eligible to receive depends on her net taxable income ($45,000 - $13,000 + $11,000 = $43,000). This is above the lower threshold. Her maximum co-contribution is reduced to $467.00 if she makes a non-concessional contribution of $1,000.00.

Consequences

- Contribution caps apply to superannuation contributions. Your personal contribution into superannuation counts towards your NCC. If you exceed your NCC cap, tax penalties can apply.
- You cannot make a non-concessional contribution if you have a total superannuation balance of $1.7 million or more at 30 June.
- Excess amounts can be retained in the accumulation phase where tax at 15% continues to apply.
- Fees may be charged for your superannuation contributions. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.
- All contributions to super are preserved until you meet a condition of release. You need to be sure that you do not need access to the amount contributed until you retire.
- The government may change superannuation legislation in the future.

Date: 1 July 2022

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Consolidate superannuation

Consolidating your superannuation accounts into one fund can simplify your finances and increase your overall return from investments.

Benefits

- Maintaining less superannuation accounts reduces your paperwork and may therefore simplify your finances.
- Your overall return on investments may increase because your total costs may reduce.
- Looking after only one portfolio can help you achieve a more focused retirement strategy.

How it works

If you have more than one superannuation account, you are probably paying fees on each account. Consolidating your super can reduce your overall costs because it will result in fees being paid on only one account. Consolidating super can also help you keep track of your money and reduce the number of superannuation statements you receive each year.

Most superannuation accounts can be rolled over to another super fund at any time. There are some exceptions – for example, some employer sponsored or defined benefit funds may not be able to be rolled over. You may need to check with your super fund that your account balance can be rolled over.

To rollover your super, you need to provide your old fund with a transfer request form. Once your old fund has received all of the information it requires, it has 30 days to transfer your account to your new fund.

Your old superannuation fund will send you a rollover benefits statement confirming the details of the rollover. You should check that the details in the statement are correct and keep it for your records.

It is important to be aware that if your have a super account with a balance of less than $6,000, has not received a rollover or contribution in the past 16 months and has no insurance, it will be transferred to the ATO (some exemptions apply). Transfers to the ATO occur twice a year in accordance with legislated timeframes. So, consolidating any smaller super accounts will help to avoid balances being transferred to the ATO.

Consequences

- You may incur fees and charges for rolling out of your old super fund and/or you may lose certain benefits. Any lost benefits need to be weighed up against the benefits of the new super fund. You may be able to arrange options in the new fund to replace any benefits that will be lost. It is important to check these details before requesting the transfer.
- If you have made personal contributions for which you wish to claim a tax deduction, you must lodge a notice of deductibility form with your old super fund (and wait for confirmation that they have received the notice) before requesting a rollover out of that fund.
- Fees may be charged for the rollover to your new fund. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.
- If your old superannuation account includes an untaxed element, 15% contributions tax will be deducted upon rollover to your new fund.

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- If you hold insurance in your old super fund, you should ensure you have replacement cover approved and in place before rolling over.

Date: 1 September 2019

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Cash out and re-contribute to super

The re-contribution strategy involves withdrawing the taxable component of your superannuation and re-contributing the amount as a non-concessional contribution, effectively converting your taxable component into tax-free component to make your savings more tax effective.

Benefits

- Your tax-free component will increase. This component can be withdrawn tax-free even if you are under age 60 (subject to preservation rules).
- The re-contribution strategy can help to reduce potential tax payable when receiving future account based pension payments between preservation age and age 60.
- The tax-free component is also not taxable if paid as a lump sum death benefit to any of your dependents (even adult children). This can increase the amount payable to your family or estate.
- Depending on your income for the year and satisfying eligibility requirements, the Government may contribute $0.50 for every $1.00 of non-concessional contributions you make, up to a maximum of $500.

How it works

To implement this strategy, you need to be able to withdraw from superannuation. This means you must have either met a condition of release or you need to have unrestricted non-preserved money in your account. You must also be eligible to contribute to superannuation which means you need to be under age 75.

If your superannuation fund includes both taxable and tax-free components the withdrawal needs to be proportionally drawn from both components. For example, if your tax-free component makes up 20% of your account balance prior to withdrawal, then 20% of any withdrawal must be tax-free component and 80% taxable.

If you are over age 60 there is no tax payable on either component unless you are in an unfunded superannuation scheme. If tax is payable, your superannuation fund may withhold lump sum tax from the withdrawal at the following rates:

Your age	Tax component		Maximum tax rate
Between preservation age and age 60	Tax-free component		0%
	Taxable component	Up to $230,000*	0%
		Over $230,000*	15%^
60 or over	All components		0%

**Low rate cap applicable for 2022/23. ^Plus 2% Medicare Levy.*

The aim is to withdraw as much of your taxable component as possible, but with minimal tax and ensuring the money can be recontributed to superannuation without exceeding caps.

If you are under age 60 (but at least your preservation age), the re-contribution strategy is generally most effective if the taxable component included in the withdrawal does not exceed the low rate cap because this means no lump sum tax will be payable. After age 60, you can withdraw any amount tax-free subject to meeting a condition of release.

You then need to re-contribute the withdrawn amount back into your superannuation account as a non-

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concessional contribution (NCC). It is important to ensure this amount does not cause your non-concessional contribution cap to be exceeded.

You must have total super savings of less than $1.7 milion at 30 June to be eligible to make any NCCs the following year.

If you are under age 75 on the 1st of July you are able to bring forward two years of non-concessional contributions, enabling you to contribute up to three years of contributions (maximum $330,000) in one year with no further contributions in the next two years. This limit will reduce if your total superannuation savings are more than $1.48 million on the 30th of June prior to the financial year in which you trigger the bring-forward rule. These rules are complex so it is important that you get advice.

Consequences

- If you are under age 60, any taxable component withdrawn counts towards your assessable income and can impact your entitlement to certain tax offsets and concessions. It may also affect child support liabilities.
- If you have made personal contributions for which you wish to claim a tax deduction, you must lodge a notice of deductibility form with your super fund (and wait for confirmation that they have received the notice) before requesting any withdrawal.
- The re-contribution back into your superannuation account will be preserved unless you continue to meet a condition of release.
- You will not be eligible for the Government Co-contribution if you exceed your annual NCC cap or your total superannuation savings exceed $1.7 million.
- Your re-contribution into superannuation counts towards your NCC. If you exceed your NCC cap tax penalties may apply.
- If you have total superannuation savings of $1.7 million or more you will not be eligible to make non-concessional contributions.
- The total amount of super monies used to start pensions is capped at your personal transfer balance cap. For the period from 1 July 2021, your personal transfer balance cap is between $1.6 million and $1.7 million. You can view your personal transfer balance cap in ATO online. All superannuation income streams are assessed against the transfer balance cap regardless of when it first commenced. You can retain excess amounts in your accumulation accounts where tax at 15% continues to apply.
- Fees may be charged for contribution. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.
- The government may change superannuation legislation in the future.

Date: 1 July 2022

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Non-concessional contributions

Making non-concessional contributions into superannuation increases your retirement savings and your tax-free component.

Benefits

- Investing in superannuation boosts your savings to help meet your retirement goals.
- The rate of return inside superannuation may be higher after-tax than investing outside superannuation. This is because earnings inside superannuation are taxed at a maximum rate of just 15%, whereas earnings from non-superannuation investments are generally taxed at your marginal tax rate. This helps your savings to grow faster.
- Your tax-free component will increase. This amount can be withdrawn tax-free at any age (subject to preservation rules).
- The tax-free component is not taxable if paid as a lump sum death benefit to any of your dependents (even adult children). This can increase the amount payable to your family or estate.
- The contribution strategy can help to reduce potential tax payable when receiving future account based pension payments between preservation age and age 60.
- Depending on your income for the year and satisfying eligibility requirements, the Government may contribute $0.50 for every $1.00 of non-concessional contributions you make, up to a maximum of $500.

How it works

Non-concessional contributions are made from after-tax income and include:

- personal contributions where you have not claimed an income tax deduction
- after-tax salary that you have requested your employer to direct into superannuation on your behalf
- spouse contributions
- contributions in excess of your capital gains tax (CGT) cap from business assets
- most transfers from foreign superannuation funds.

Non-concessional contributions do not include superannuation guarantee (SG) contributions, salary sacrifice or certain contributions resulting from personal injury payments.

Non-concessional contributions form part of the tax-free component of your super account, which is tax-free when withdrawn from super, even whilst you are under age 60.

Non-concessional contribution caps

There is a cap on how much you can contribute as a non-concessional contribution each year. The non-concessional contribution cap for 2022/23 is $110,000.

If you are under age 75 on the 1st of July, you are able to contribute the cap amount for that year plus 'bring forward' the next two years' worth of non-concessional cap to make larger contributions if needed. This rule is particularly useful if you are selling a large asset (such as an investment property) and want to contribute the proceeds into super. The bring-forward rule effectively allows you to contribute up to $330,000 of non-concessional contributions over a three year period.

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You must have total super savings of less than $1.7 million at 30 June to be eligible to make any NCCs the following year.

If you are utilising the bring-forward rule, the limit above will reduce if your total superannuation savings are more than $1.48 million on the 30th of June prior to the financial year in which the bring-forward rule is triggered. These rules are complex so it is important that you get advice.

If you exceed your non-concessional contribution cap, you can choose to leave the excess in superannuation and pay excess tax at the top marginal tax rate (plus levies) or you can withdraw the excess and 85% of associated earnings (as calculated by the Tax Office) and pay tax on the earnings component at your marginal rate plus interest penalties.

Consequences

- All contributions to super are preserved until you meet a condition of release. You need to be sure that you do not need access to the amount contributed until you retire.
- If you exceed your NCC cap excess contribution tax penalties may apply.
- If you have total superannuation savings of $1.7 million or more at 30 June you will not be eligible to make non-concessional contributions.
- The total amount of super monies used to start pensions is capped at your personal transfer balance cap. For the period from 1 July 2021, your personal transfer balance cap is between $1.6 million and $1.7 million. You can view your personal transfer balance cap in ATO online. All superannuation income streams are assessed against the transfer balance cap regardless of when it first commenced. You can retain excess amounts in your accumulation accounts where tax at 15% continues to apply.
- Fees may be charged for your superannuation contributions. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.
- The government may change superannuation legislation in the future.

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Personal deductible contributions

Making a personal contribution into superannuation and claiming a tax deduction for the contribution (otherwise known as a concessional contribution) increases your retirement savings and reduces your income tax payable.

Benefits

- Investing in superannuation boosts your savings to help meet your retirement goals.
- The rate of return inside superannuation may be higher after-tax than investing outside superannuation. This is because earnings inside superannuation are taxed at a maximum rate of just 15%, whereas earnings from non-superannuation investments are generally taxed at your marginal tax rate. This helps your savings to grow faster.
- Savings can grow by making contributions from pre-tax money, with only 15% tax deducted from the contributions. High income earners may pay an additional 15% tax on all or part of the concessional contributions.
- You will be eligible to claim a tax deduction for the amount of the contribution which will reduce your taxable income and the amount of income tax you pay. This can increase your disposable income or increase the amount you can invest.
- Tax efficiencies can also be created by carefully planning when disposing of assets to reduce capital gains tax.
- The additional contributions can help to cover the cost of insurance premiums if you hold insurance inside superannuation.

How it works

You need to be under age 67 or be between the ages of 67 and 75 and have worked at least 40 hours within 30 consecutive days within the financial year to be eligible to receive a tax deduction on any personal deductible contributions made.

This deduction reduces your taxable income and the tax you would otherwise pay. The contributions are however taxed at 15% upon entry into superannuation. If your 'income' is over $250,000 you may pay an additional 15% tax on part or all the deductible contributions.

Notifying the fund of intentions

To claim the tax deduction, you need to lodge a notice of deductibility form with the trustee of the fund by the earlier of:

- the day you lodge your tax return for the financial year
- the end of the financial year after the year in which the contribution was made
- commencing an income stream from the fund
- withdrawing or rolling money out of the fund
- lodging an application to split contributions to a spouse.

You should not claim the deduction until you have lodged the form and received an acknowledgement notice from the superannuation fund trustee.

Once lodged, you cannot revoke it but if you have made an error or change your mind you can reduce the amount to be claimed as a deduction. It can even be reduced to nil.

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Contribution caps

There is a cap on how much can be contributed as concessional contributions each year. The concessional contribution cap for 2022/23 is $27,500 . The removal of the age based caps ensures that everyone has access to the same contribution limits and that tax is not applied on an age basis.

This cap includes not only any personal contributions that you claim a tax deduction for, but also any amounts paid on your behalf by an employer. There are certain other contributions that may also count (eg distributions from superannuation fund reserves).

If the cap is exceeded you will pay tax on the excess at your marginal rate less the 15% already paid within your superannuation fund. You can withdraw the excess from superannuation so it is not also counted towards the non-concessional contributions cap.

Catch up Concessional Contributions

From 1 July 2018, you may be able to accrue your unused Concessional Contributions and carry these amounts forward to enable you to make Concessional Contributions in excess of your annual cap in subsequent years. Amounts will be carried forward on a five year rolling basis. As the new regime will only apply to unused amounts accrued from 1 July 2018, the first year you may be eligible to use a carried forward amount will be the 2019/20 financial year. To make use of carried forward Concessional Contributions, your super balance cannot exceed $500,000 on the 30 June of the previous financial year. Unused amounts which you have not used within five years cannot be carried forward.

Low Income Superannuation Tax Offset (LISTO)

From 1 July 2017, if you have an adjusted taxable income of less than $37,000 you may receive a LISTO contribution from the Government paid into your superannuation fund equal to 15% of your total concessional super contributions for an income year, capped at $500.

The ATO will determine your eligibility for the Low Income Superannuation Tax Offset and advise your superannuation fund annually.

Consequences

- A deduction can only reduce your taxable income to nil. It cannot create a loss.
- If you are over age 75, deductions can only be claimed for contributions made before the 28th day of the month following the month in which you turned age 75.
- Personal deductible contributions are a reportable super contribution. This means the contribution is not included in your assessable income, but is included on your tax return for the purpose of determining your eligibility to certain benefits, concessions and obligations.
- The deductible contributions are added to your taxable component. Tax will be payable if you access these amounts before age 60 or if they are paid as a death benefit to non-tax dependents (eg adult children).
- You should confirm your eligibility for the deduction with your accountant as well as the amount of deduction that is appropriate for your overall tax situation.
- All contributions to super are preserved until you meet a condition of release. You need to be sure that you do not need access to the amount contributed until you retire.
- Tax and other penalties apply if you exceed your concessional contribution limits.

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- The total amount of super monies used to start pensions is capped at your personal transfer balance cap. For the period from 1 July 2021, your personal transfer balance cap is between $1.6 million and $1.7 million. You can view your personal transfer balance cap in ATO online. All superannuation income streams are assessed against the transfer balance cap regardless of when it first commenced. You can retain excess amounts in your accumulation accounts where tax at 15% continues to apply.
- Fees may be charged for your superannuation contributions. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.
- The government may change superannuation legislation in the future.

Date: 1 July 2022

Salary sacrifice

Salary sacrificing your employment income into superannuation increases your retirement savings and reduces the amount of income tax you pay.

Benefits

- Investing in superannuation boosts your savings to help meet your retirement goals. Salary sacrifice provides disciplined savings because your salary is automatically directed into your super.
- The rate of return inside superannuation may be higher after-tax than investing outside superannuation. This is because earnings inside superannuation are taxed at a maximum rate of just 15%, whereas earnings from non-superannuation investments are generally taxed at your marginal tax rate. This helps your savings to grow faster.
- Savings can grow by making contributions from pre-tax money, with only 15% tax deducted from the contributions. High income earners may pay an additional 15% tax on all or part of the concessional contributions.
- Your taxable income will reduce which also reduces your income tax liability. This can increase your disposable income or increase the amount you can invest.
- Tax efficiencies can also be created by carefully planning when disposing of assets to reduce capital gains tax.
- The additional contributions can help to cover the cost of insurance premiums if you hold insurance inside superannuation.

How it works

Salary sacrifice is an arrangement where you elect to receive part of your future salary as superannuation contributions instead of cash. The amounts sacrificed into superannuation are taxed at just 15% instead of your marginal tax rate and this tax saving helps your retirement savings grow. If your 'income' is over $250,000 you may pay an additional 15% tax on all or part of your concessional contributions.

To be effective you need to have the arrangement in place with your employer before becoming entitled to the salary or wages. For example, if you put a new salary sacrifice arrangement in place today, it cannot cover the salary you earned last week because you are already entitled to that salary.

You need to confirm with your employer that you are able to salary sacrifice because it is not compulsory for employers to offer it. If your employer does offer salary sacrifice, you should also check what they require to put the arrangement in place.

It is recommended that you set out the terms of your salary sacrifice arrangement in writing. This should include an agreement on how often the super contributions will be made and confirmation that your other workplace entitlements (such as superannuation guarantee (SG) and termination payments) will not reduce due to the lower cash salary.

Contribution caps

There is a cap on how much can be contributed as concessional contributions each year. The concessional contribution cap for 2022/23 is $27,500.

This cap includes not only any personal contributions that you claim a tax deduction for, but also any amounts paid on your behalf by an employer. There are certain other contributions that may also count (eg

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distributions from superannuation fund reserves).

If the cap is exceeded you will pay tax on the excess at your marginal rate less the 15% already paid within your superannuation fund. You can withdraw the excess from superannuation so it is not also counted towards the non-concessional contributions cap.

Catch up Concessional Contributions

From 1 July 2018, you may be able to accrue your unused Concessional Contributions and carry these amounts forward to enable you to make Concessional Contributions in excess of the annual cap in subsequent years. Amounts will be carried forward on a five year rolling basis. As the new regime will only apply to unused amounts accrued from 1 July 2018, the first year you may be eligible to use a carried forward amount will be the 2019/20 financial year. To make use of carried forward Contribution Contributions, your super balance cannot exceed $500,000 on the 30 June of the previous financial year. Unused amounts which you have not used within five years cannot be carried forward.

Low Income Superannuation Tax Offset (LISTO)

From 1 July 2017, if you have an adjusted taxable income of less than $37,000 you may receive a LISTO contribution from the Government paid into your superannuation fund equal to 15% of your total concessional super contributions for an income year, capped at $500.

The ATO will determine your eligibility for the Low Income Superannuation Tax Offset and advise your superannuation fund annually.

Consequences

- Your take-home pay will reduce because of the salary sacrifice arrangement. You need to ensure you continue to have sufficient income to meet your needs.
- Salary sacrifice contributions are a reportable super contribution. This means the contribution is not included in your assessable income, but is included on your tax return for the purpose of determining your eligibility to certain benefits, concessions and obligations.
- All contributions to super are preserved until you meet a condition of release. You need to be sure that you do not need access to the amount sacrificed until you retire.
- The salary sacrifice contributions are added to your taxable component. Tax will be payable if you access these amounts before age 60 or if they are paid as a death benefit to non-tax dependents (eg adult children).
- Tax and other penalties apply if you exceed your concessional contribution limits.
- The total amount of super monies used to start pensions is capped at your personal transfer balance cap. For the period from 1 July 2021, your personal transfer balance cap is between $1.6 million and $1.7 million. You can view your personal transfer balance cap in ATO online. All superannuation income streams are assessed against the transfer balance cap regardless of when it first commenced. You can retain excess amounts in your accumulation accounts where tax at 15% continues to apply.
- You should confirm your tax situation with your accountant as well as the amount of deduction that is appropriate for your overall tax situation.
- Fees may be charged for your superannuation contributions. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.

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- If you are under the age of 67 (or aged 67 to 74 and meet the work test or the 12-month superannuation work test exemption), you will be able to claim a tax deduction for personal super contributions. This may offer a more suitable alternative depending on your circumstances. The government may change superannuation legislation in the future.

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Spouse contributions

Making a contribution into your spouse's superannuation increases your spouse's retirement savings and may provide you with an offset to reduce your tax payable.

Benefits

- Investing into your spouse's superannuation boosts your savings to help meet retirement goals.
- The rate of return inside superannuation may be higher after-tax than investing outside superannuation. This is because earnings inside superannuation are taxed at a maximum rate of just 15%, whereas earnings from non-superannuation investments are generally taxed at marginal tax rates. This helps savings to grow faster.
- You may be eligible for a tax offset to help reduce your tax payable. This can increase your disposable income.
- If your spouse is under age 66 (or age 60 if a veteran) his/her superannuation benefits are not assessable by Centrelink/Veterans' Affairs so entitlements may be higher.
- The additional contributions can help your spouse cover the cost of insurance premiums if they hold insurance inside superannuation.

How it works

Your spouse must be under age 67 or between 67 and 75 and have met the work test to be eligible for contributions into superannuation. The work test requires that your spouse has worked at least 40 hours in any 30 consecutive day period in the current financial year. Spouse contributions cannot be made once your spouse reaches age 75.

Spouse contributions count as non-concessional contributions. As such, they are not taxed upon entry into the fund and form part of the tax-free component of the spouse's account.

Non-concessional contribution caps
Contributions made on behalf of a spouse will count towards their non-concessional contributions cap. There is a cap on the total of non-concessional contributions that can be made by you or your spouse into your spouse's superannuation account each year. The non-concessional contribution cap for 2021/22 is $110,000.

If your spouse is under 67 years of age on 1 July, they can bring forward two years' contributions caps. This effectively allows your spouse to contribute the cap amount for that year plus 'bring forward' the next two years' worth of non-concessional cap to make larger contributions if needed. This rule is particularly useful if you are selling a large asset (such as an investment property) and want to contribute the proceeds into super. The bring-forward rule effectively allows contributions up to $330,000 of non-concessional contributions over a three year period.

You must have total super savings of less than $1.7 million at 30 June to be eligible to make (or receive) a NCC the following year.

If the spouse is utilising the bring-forward rule, the limit will reduce if their total superannuation savings are more than $1.48 million on the 30th of June prior to the financial year in which the bring-forward rule is triggered.

If the non-concessional contribution cap is exceeded, your spouse can choose to leave the excess in

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superannuation and pay excess tax at the top marginal tax rate (plus levies) or withdraw the excess and 85% of associated earnings (as calculated by the Tax Office) and pay tax on the earnings component at his/her marginal rate plus interest penalties.

Low Income Spouse Tax offset

To be eligible for the low income spouse tax offset, you and your spouse must both be Australian residents for tax purposes and your contribution must be made from after-tax income.

The maximum tax offset is $540 ($3,000 x 18%). Your eligibility is based on your spouse's assessable income. If your spouse's assessable income for the financial year is less than $37,000, you will be entitled to a tax offset of up to 18% on the first $3,000 contributed. If your spouse's assessable income is more than $37,000, the 18% tax offset only applies to part of the contribution. The tax offset phases out completely if your spouse's income is $40,000 or more.

Assessable income is the total of your spouse's assessable income, reportable fringe benefits and reportable employer superannuation contributions.

No tax offset will be paid if the spouse receiving the contribution has exceeded their annual non-concessional contributions cap or their total super balance at 30 June of the previous financial year is $1.7 million or more.

Consequences

- The contribution into your spouse's super will be preserved until your spouse meets a condition of release. You need to be sure that you do not need access to the amount contributed until your spouse retires.
- If you or your spouse exceed your NCC cap, tax penalties can apply.
- If you have total superannuation savings of $1.7 million or more at 30 June of the previous financial year you will not be eligible to make (or receive) non-concessional contributions.
- The total amount of super monies used to start pensions is capped at your personal transfer balance cap. For the period from 1 July 2021, your personal transfer balance cap is between $1.6 million and $1.7 million. You can view your personal transfer balance cap in ATO online. All superannuation income streams are assessed against the transfer balance cap regardless of when it first commenced. You can retain excess amounts in your accumulation accounts where tax at 15% continues to apply.
- Fees may be charged for the spouse contributions. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.
- The government may change superannuation legislation in the future.

Date: 1 July 2022

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Splitting superannuation contributions

Splitting superannuation contributions to your spouse helps to increase retirement savings in your spouse's name. This can help with future planning and also protect against future legislative changes. In some cases this may also help to increase current Centrelink/Veterans' Affairs entitlements.

Benefits

- Your spouse's retirement benefits will increase. This may be particularly beneficial as each person's retirement income stream balances is capped at their personal transfer balance cap. For the period from 1 July 2021, your personal transfer balance cap is between $1.6 million and $1.7 million..
- You may have opportunity to access retirement savings earlier if your spouse will meet a condition of release sooner than you.
- Centrelink entitlements may increase if the spouse is under age 66 (or under age 60 if a veteran) due to exemptions on the assessment of superannuation.
- The increased account balance can help your spouse cover the cost of insurance premiums if his or her insurance is held inside superannuation.
- The rate of return inside superannuation may be higher after-tax than investing outside superannuation. This is because earnings inside superannuation are taxed at a maximum rate of just 15%, whereas earnings from non-superannuation investments are generally taxed at marginal tax rates. This helps savings to grow faster.

How it works

Super splitting allows you to split (transfer) your previous year's concessional contributions to your spouse. It is not compulsory for a super fund to offer super splitting, so you will need to check with your fund whether they will allow you to split your contributions.

Only concessional contributions can be split to your spouse – these include superannuation guarantee (SG), salary sacrifice and personal deductible contributions. Non-concessional contributions cannot be split. The maximum amount that can be split is the lesser of:

- 85% of your concessional contributions for the year (15% is retained to pay contributions tax)
- the concessional contribution cap for the financial year.

The money must remain preserved for your spouse. This means your spouse must be either under age 65 or, if between their preservation age and age 65, must be able to declare that they have not permanently retired from the workforce.

Your request to split contributions must be made in writing to the trustee of the super fund within 12 months after the end of the financial year that the concessional contributions were made. Upon receiving your application, the super fund trustee has 90 days to process your request. You can only make one request per year.

The split contributions form part of the taxable component of your spouse's superannuation account. The amounts will not count towards your spouse's contribution caps because they have already counted towards your concessional contribution cap.

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Consequences

- If you have made personal contributions for which you wish to claim a tax deduction, you must lodge a notice of deductibility form with your superannuation fund (and wait for confirmation that they have received the notice) before splitting the contribution.
- If you are planning to roll over your superannuation savings (to a new fund or to commence an income stream) during the year that contributions have been made, you must lodge your splitting application before rolling your money out of the account.
- Split contributions will be preserved until your spouse meets a condition of release.
- The total amount of super monies used to start pensions is capped at your personal transfer balance cap. For the period from 1 July 2021, your personal transfer balance cap is between $1.6 million and $1.7 million. You can view your personal transfer balance cap in ATO online. All superannuation income streams are assessed against the transfer balance cap regardless of when it first commenced. You can retain excess amounts in your accumulation accounts where tax at 15% continues to apply.
- Fees may be charged on the transfer into your spouse's superannuation account. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.
- The government may change superannuation legislation in the future.

Date: 1 July 2021

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Superannuation

Using superannuation as a savings vehicle is a tax-effective way to increase your savings to meet your retirement goals.

Benefits

- Contributions into superannuation can be tax-effective, particularly if made under a salary sacrifice arrangement or if the contributions are tax deductible, because the contributions are effectively being made with pre-tax money.
- The rate of return inside superannuation may be higher after-tax than investing outside superannuation. This is because earnings inside superannuation are taxed at a maximum rate of just 15%, whereas earnings from non-superannuation investments are generally taxed at marginal tax rates. This helps savings to grow faster.
- Superannuation money is tax-free if withdrawn after age 60 (unless withdrawn from an untaxed fund).
- Superannuation can be used to provide a tax-effective income stream in retirement.

How it works

Superannuation is a savings vehicle designed to help you save for retirement. Superannuation funds that comply with Australian law receive generous tax concessions which provide an incentive for you to save for your own retirement. Your account balance generally consists of contributions from your employer, your own personal contributions and earnings from investments.

Most superannuation funds will allow you to select how your money is invested and will usually offer a selection of investments based on local shares, property and or fixed interest. As different asset classes offer different levels of risk, it’s important to choose wisely and get advice.

Contributions

Eligibility to contribute to superannuation is based on your age. Anyone under the age of 75 is automatically eligible to contribute, however once you reach age 75, contributions generally cannot be made unless the contributions are mandated employer contributions required under an agreement or award.

Contributions to super are split into categories with caps applying to each category. The most commonly used caps are the *concessional contribution cap* and the *non-concessional contribution cap*. A CGT cap is also available to small business owners who sell eligible business assets.

The caps are intended to limit the amount of tax concessions relating to superannuation and to encourage people to save for retirement over a lifetime rather than only in the few years prior to retirement. Contribution caps are indexed periodically.

Concessional contributions

The annual Concessional Contribution cap is $27,500.

Concessional contributions generally consist of contributions made from pre-tax income (such as superannuation guarantee (SG) and salary sacrifice) or contributions for which a deduction has been

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claimed (personal deductible contributions).

If you exceed your concessional contribution cap, excess contributions are taxed at your marginal tax rate, less the 15% tax already deducted within the fund. You can withdraw the excess from superannuation so it is not also counted towards the non-concessional contributions cap.

Catch up Concessional Contributions

From 1 July 2018, you may be able to accrue your unused Concessional Contributions and carry these amounts forward to enable you to make Concessional Contributions in excess of the annual cap in subsequent years. Amounts will be carried forward on a five year rolling basis. As the new regime will only apply to unused amounts accrued from 1 July 2018, the first year you may be eligible to use a carried forward amount will be the 2019/20 financial year. To make use of carried forward Concessional Contributions, your super balance cannot exceed $500,000 on the 30 June of the previous financial year. Unused amounts which you have not used within five years cannot be carried forward.

Concessional contribution tax for high income earners

If your ‘income’ exceeds $250,000, some or all of your concessional contributions are subject to an additional 15% tax. Here, ‘income’ includes:

- taxable income (including the net amount on which family trust distribution tax has been paid)
- reportable fringe benefits
- total net investment loss (including net financial investment loss and net rental property loss)
- non-excessive concessional contributions.

The additional 15% tax applies to any non-excessive concessional contributions that result in your ‘income’ exceeding the $250,000 threshold during a financial year.

Non-concessional contributions

Non-concessional contributions generally consist of contributions from after-tax income, such as personal non-deductible contributions and spouse contributions.

The annual *non-concessional* contribution cap for the 2022/23 financial year is $110,000. If you are aged 74 or under on 1st of July in a financial year you may be able to trigger the ‘bring-forward’ rule to make larger contributions.

The ‘bring-forward’ rule effectively groups contributions over a three year period. It allows you to bring forward two years’ worth of non-concessional cap and add it to the current year’s cap. But you can only contribute up to $330,000 over the three year period. This rule is particularly useful if you are selling a large asset (such as an investment property) and want to contribute the proceeds into superannuation. The bring-forward rule is automatically triggered if you exceed your annual non-concessional limit. Once triggered, your non-concessional contribution cap will not be indexed for the next two years.

You must have total super savings of less than $1.7 million at 30 June to be eligible to make any NCCs the following year.

If you are utilising the bring-forward rule the limit will reduce if your total superannuation savings are more than $1.48 million on the 30th of June prior to the financial year in which you trigger the bring-forward rule. These rules are complex so it is important that you get advice.

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If you exceed your non-concessional contribution cap, you can choose to have the excess contributions and 85% of associated earnings (as calculated by the Tax Office) refunded with penalty tax only applied to the earnings. If not withdrawn, the excess contributions are taxed at the highest marginal tax rate. The tax payable must be withdrawn from superannuation.

Downsizer contributions

If you are aged 55 or older, you may be able to make a downsizer contribution into your superannuation of up to $300,000 from the proceeds of selling your main residence.

In order to be eligible, among other things, the contract for sale of the property must be entered into (exchanged) on or after 1 July 2018 and:

- the property must be in Australia and not be a caravan, mobile home, or houseboat
- the property must have been owned by you, and/or your spouse, for at least ten years prior to disposal
- the property must be eligible for at least a partial capital gains tax (CGT) main residence exemption

A downsizing contribution can be made regardless of your 30 June Total Super Balance (TSB). However, once a downsizing contribution is made, it will increase your TSB for the future application of that test.

A maximum contribution of $300,000 per person is permitted and must be accompanied by a prescribed election form. However, this may be limited by the actual sale proceeds of the house. Downsizing contributions will not be included in any contribution cap.

The downsizing contribution legislation does not provide any extension or exemption from the pension transfer balance cap for these contributions.

You can only make downsizing contributions for the sale of one home. You can't access it again for the sale of a second home. There is also no requirement for you to purchase another home.

Downsizer contributions are not tax deductible.

Conditions of release

To access your superannuation account balance you first need to meet a condition of release.

You will automatically meet a condition of release once you turn age 65. Prior to age 65, you can meet a condition of release if you (a) cease a gainful employment arrangement after having turned age 60 (even if you are still working in another job), or (b) retire after having reached your preservation age.

Your preservation age is based on your date of birth, as shown in the following table:

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 to 30 June 1961	56
1 July 1961 to 30 June 1962	57
1 July 1962 to 30 June 1963	58
1 July 1963 to 30 June 1964	59
1 July 1964 or later	60

In very limited circumstances a condition of release may be met before age 65 or retirement. These

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circumstances include being temporarily or permanently disabled, being in severe financial hardship or on compassionate grounds (e.g. to pay for medical costs).

Protecting your super changes (from 1 July 2019)

The new ‘Protecting your Super’ law came into effect from 1 July 2019 and brings with it a collection of super reforms aimed at protecting the retirement savings of Australians from being eroded by fees and insurance premiums so members have more money to live on in retirement.

The key changes to be aware of are:

- **Cancelling insurance in inactive super accounts** - superannuation providers must cancel a member’s insurance cover in their super if their super account has been inactive, that is, hasn’t received a contribution or rollover for a continuous period of 16 months, unless the member specifically elects to keep their insurance. If this applies to your insurance in your super account, you’ll be sent a notice before any insurance is cancelled. Please make sure your contact details are up to date.
- **ATO transfer of inactive low balance accounts** - if your super account has a balance of less than $6,000, has not received a rollover or contribution in the past 16 months and has no insurance, it will be transferred to the ATO (some exemptions apply). Transfers to the ATO occur twice a year in accordance with legislated timeframes.
- **Fee cap introduced for low balance accounts** - if your balance is below $6,000, you will not pay more than 3% of your account balance in administration fees, investment fees and indirect costs per financial year. An assessment will occur each 30 June, or at your date of exit from the fund, to see if you have paid more than 3% in fees, and any excess payments will be refunded.

Consequences

- It is important that you keep track of your superannuation contributions to ensure you don’t exceed your contribution caps.
- Superannuation may not provide a better after-tax rate of return than non-super investments if your marginal tax rate is less than 15%.
- All contributions to superannuation are preserved until you meet a condition of release.
- The total amount of super monies used to start pensions is capped at your personal transfer balance cap. For the period from 1 July 2021, your personal transfer balance cap is between $1.6 million and $1.7 million. You can view your personal transfer balance cap in ATO online. All superannuation income streams are assessed against the transfer balance cap regardless of when it first commenced. You can retain excess amounts in your accumulation accounts where tax at 15% continues to apply.
- Fees may be charged for your superannuation contributions and on transfers between funds. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.
- The government may change superannuation legislation in the future.

Date: 1 January 2023

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First Home Super Saver Scheme

The first home super saver (FHSS) scheme allows you to save money for your first home inside your super fund.

Benefits

- This will help first home buyers save faster with the concessional tax treatment of superannuation.

How it works

Under the first home super saver scheme, you can make voluntary concessional (before-tax) and voluntary non-concessional (after-tax) contributions into your super fund to save for your first home.

You can then apply to release your voluntary contributions, along with associated earnings, to help you purchase your first home. You must meet the eligibility requirements to apply for the release of these amounts.

You can use this scheme if you are a first home buyer and both of the following apply:

- You either live in the premises you are buying, or intend to as soon as practicable.
- You intend to live in the property for at least six months within the first 12 months you own it, after it is practical to move in.

You can apply to have a maximum of $15,000 of your voluntary contributions from any one financial year included in your eligible contributions to be released under the FHSS scheme, up to a total of $50,000 contributions across all years. You will also receive an amount of earnings that relate to those contributions.

Eligibility

You can start making super contributions from any age. However, you must be 18 years old or older to request a determination or a release of amounts under the FHSS scheme.

Also, you must have:

- never owned property in Australia – this includes an investment property, vacant land, commercial property, a lease of land in Australia, or a company title interest in land in Australia (unless the Commissioner of Taxation determines that you have suffered a financial hardship)
- not previously requested the Commissioner to issue an FHSS release authority in relation to the scheme.

Eligibility is assessed on an individual basis. This means that couples, siblings or friends can each access their own eligible FHSS contributions to purchase the same property. If any of you have previously owned a home, it will not stop anyone else who is eligible from applying.

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Important things to know

There are a number of important things you need to know if you plan to use the FHSS scheme:

- You must apply for and receive an FHSS determination before signing a contract for your first home or applying for release of your FHSS amounts.
- Superannuation guarantee contributions made by your employer, and spouse contributions cannot be released under the FHSS scheme.
- You can only request a release under the FHSS scheme once. If your release request is cancelled, you will not be able to apply again in the future.
- You should request the release of your FHSS amounts around the same time you start your home buying activities – for example, when you apply for a home loan.
- The home you purchase or construct must be located in Australia.
- If you've already received a determination and signed your contract to purchase or construct your home, you must make a valid release request within 14 days of entering into that contract.
- You can also sign your contract after you make a valid release request. You have 12 months from the date you make a valid release request to notify the ATO if you have signed a contract to purchase or construct your home, or re-contributed the required amount to your super fund (see information below).
- After you have requested the release, it may take between 15 and 25 business days for you to receive your money.

How you can save in super

You can start saving by entering into a salary sacrifice arrangement with your employer to make voluntary contributions or by making voluntary personal super contributions.

You can contribute into any super fund(s) although contributions made to a defined benefit interest or a constitutionally protected fund will not be eligible to be released under the FHSS scheme.

Note: Some employers may not offer salary sacrifice arrangements to their employees.

Before you start saving you should:

- check that your nominated super fund(s) will release the money
- ask your fund about any fees, charges and insurance implications that may apply
- check that your super fund has your current contact details – ensure your name matches what the ATO have
- be aware that if you receive FHSS amounts, it will affect your tax for the year in which you make the request to release. You will receive a payment summary and you will need to include both the assessable and tax-withheld amounts in your tax return.

Applying to release your savings

You can check your balance with your super fund(s) at any time to see how much you have saved. This will help you keep track of the maximum FHSS amounts you can have released.

When you are ready to receive your FHSS amounts, you need to apply for an FHSS determination and a release.

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You can sign your contract to purchase or construct your home either:

- from the date you make a valid request to release your FHSS amounts, or
- before making a valid request to release your FHSS amounts.

If you sign your contract to purchase or construct your home before making a valid request to release FHSS amounts, you'll need to:

- have an FHSS determination before you sign
- make a valid release request within 14 days of entering that contract.

If you already have an FHSS determination and have signed a contract then you cannot request a new determination and must request the release of your FHSS amounts within 14 days of signing the contract.

Maximum release amount

The FHSS maximum release amount is the sum of your eligible contributions, taking into account the yearly and total limits, and associated earnings. This amount includes:

- 100% of eligible non-concessional contributions
- 85% of eligible concessional contributions
- associated earnings calculated on these contributions using a deemed rate of return – this is based on the 90-day Bank Bill rate plus three percentage points (shortfall interest charge rate).

The FHSS maximum release amount takes into account the $15,000 limit from any one year and $30,000 total limit to the total contributions across all years when calculating the eligible contributions, before adding the associated earnings.

Receiving your amount

A release authority will be sent to your super fund(s) requesting they send your FHSS release amounts to the ATO.

Before the ATO sends the balance of the released amount to you they will:

- withhold the appropriate amount of tax
- offset the remaining amount against any outstanding Commonwealth debts.
- In most cases, it will take between 15 and 25 business days for your fund to release your money and for the ATO to pay it to you.

A payment summary will be sent to you at the end of the financial year. It will show your assessable FHSS released amount, which is comprised of:

- concessional contributions
- associated earnings on both concessional and non-concessional contributions.
- You need to include this amount in your tax return for the financial year you request the release. The tax payable on this assessable amount will receive a 30% tax offset.

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Withholding tax

When the ATO receives your released amounts, they will withhold tax that will be calculated at either:

- your expected marginal tax rate, including Medicare levy, less a 30% offset
- 17% if the Commissioner is unable to estimate your expected marginal rate.

The amount of tax withheld is calculated on your assessable FHSS released amounts and will help you meet your end of year tax liabilities. Your payment summary will show the amount of tax withheld.

After your savings have been released

Once your savings have been released, you have up to 12 months (or other period allowed) from the date you requested the release of FHSS amounts to sign a contract to purchase or construct a home.

The contract you enter into has to be for a residential premises located in Australia. It cannot be any of the following types of property:

- any premises not capable of being occupied as a residence
- a houseboat
- a motor home
- vacant land (see note).

Note: If you purchase vacant land to build a home on, it is the contract to construct your home that must be entered into to meet the FHSS scheme requirements. The contract to construct that home must be entered into within 12 months (or other period allowed) from the date you requested a release. In this situation you must not have purchased the vacant land before applying for an FHSS determination.

You must genuinely intend to occupy the property as a home, and demonstrate this by:

- occupying or intending to occupy the property as soon as practicable after purchase
- occupying or intending to occupy the property for at least six of the first 12 months from when it is practicable to occupy it.

If you do not sign a contract to purchase or construct a home within 12 months from the date you requested a release:

- the ATO will grant you an extension of time to do so for a further 12 months. There is no need to apply for this extension, it will be automatically granted to you and we will notify you of this
- you can re-contribute an amount into your super fund(s). This amount must be a non-concessional contribution and be at least equal to your assessable FHSS released amount, less any tax withheld. This amount is stated in your payment summary, and may be less than the total amounts released to you
- you can keep the released amount and be subject to FHSS tax. This is a flat tax equal to 20% of your assessable FHSS released amounts and not the total amount released.

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Consequences

- If you sign a contract to purchase or construct your home you must notify the ATO within 28 days of signing the contract.
- If you re-contribute the assessable FHSS amount (less tax withheld) into your super fund, you must notify us within 12 months of the date you request the release of your FHSS money.
- If you don't notify the ATO that you have done one of the above or you choose to keep the FHSS amount, you may be subject to the FHSS tax.

Date: 1 July 2022

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Redundancy payments

Employment termination payments that meet the definition of 'genuine redundancy' are entitled to concessional tax treatment. You must receive these amounts as cash payments. They cannot be automatically rolled into superannuation but if you are still eligible, you may be able to make a contribution into superannuation.

How it works

A genuine redundancy may occur when your employer decides that the job you are doing no longer exists and terminates your employment. Termination payments made under these circumstances receive special tax treatment where part of the payment is tax free.

Your employer is required to provide you with a payment summary within 14 days of making your termination payment. The payment summary sets out the amount paid and the amount of tax withheld.

Your termination payment may include unused leave entitlements and an extra 'redundancy' amount which is determined according to the terms of your employment contract. The redundancy amount will be tax-free up to a limit, with any excess being taxed as an employment termination payment (ETP).

Unused leave entitlements

Any payments for unused annual and long service leave are included in your assessable income and can impact your entitlements to certain tax offsets or benefits or other liabilities. However, the Tax Office uses an offset system to ensure the rate paid on these unused leave payments is limited to the tax rates shown in the following table:

Type of leave	Service period	Taxation*
Annual leave	Any	100% included in assessable income and taxed at the maximum rate of 30%
Long service leave	Pre 16 August 1978	5% included in assessable income and taxed at your marginal tax rate
	Post 15 August 1978	100% included in assessable income and taxed at the maximum rate of 30%

** Medicare and other levies may also apply*

Genuine redundancy tax-free amount

A portion of a genuine redundancy amount (not including the leave payments) will be tax-free if you are age 65 (or under the retirement age specified in your employment award) on the date of your termination. The tax-free amount is based on your years of completed service with your employer. For 2022/23, the genuine redundancy tax-free amount is calculated as:

$11,591 + ($5,797 x each completed year of service)

If your redundancy amount is less than the result of this formula, it will be entirely tax-free and you only pay tax on the leave payments.

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Employment termination payment (ETP)

If your redundancy amount (not including leave entitlements) is greater than the tax-free amount, the balance is generally called an ETP.

Most ETPs consist of only a taxable component, however a tax-free component will exist if you commenced working for your employer before 1 July 1983 or you are terminating employment due to invalidity.

Your employer will withhold lump sum tax from the taxable component of the ETP depending on your age and the amount of the ETP. Lump sum tax rates for 2022/23 are as follows:

ETP	Amounts up to $230,000*	Amounts over $230,000*
Under preservation age	30%	45%
Over preservation age^	15%	45%

** Rates and thresholds apply for 2022/23 financial year. Medicare and other levies may also apply.*

^ Applies if payment is received after preservation age or in the year in which preservation age will be reached.

Consequences

- The taxable component of the ETP is added to your assessable income and may impact your entitlement to certain tax offsets and concessions or other liabilities.
- The value of the ETP and unused leave payments count towards the Centrelink income maintenance period, which may result in you being excluded from receiving Centrelink benefits for a period of time. This period is generally the number of weeks' salary that the payments equate to.

Date: 1 July 2022

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Home Downsizer Superannuation Contributions

Homeowners aged 55 or over may be able to choose to make a downsizer contribution into superannuation of up to $300,000 from the proceeds of selling a home, subject to meeting eligibility criteria.

How it works

The eligibility criteria to make a downsizer contribution are listed below:

- You can only make downsizing contributions for the sale of one home. You can't access it again for the sale of a second home. You are not required to 'downsize' or to purchase another home. If you sell your home, are eligible and choose to make a downsizer contribution, there is no requirement for you to purchase another home.
- The super contribution can be funded from any source, however the total contribution (between spouses) cannot exceed the sale proceeds and is limited to a maximum of $300,000 per person.
- Please note, if you sold your house and your name (and not your spouse's) was listed on the title of your property, your spouse can still make a downsizer contribution, or have one made on their behalf, provided you both meet all of the other eligibility criteria. If you have a spouse, the combined total contribution is up to $600,000 ($300,000 each), and both you and your spouse will need to complete a Downsizer Contribution form.
- The person(s) making the contribution must be age 60 or over at the time the downsizer contribution is made (there is no maximum age limit).
- The sale contract for the home must be exchanged on or after 1 July 2018. The settlement is not relevant to this criterion.
- The home must be located in Australia and must be affixed to land (not a caravan, houseboat or other mobile home).
- The property being sold needs to be the contributor's main residence for all or part of the ownership period and must be eligible for either a part or full main residence capital gains tax (CGT) exemption.
- There is no requirement for the property to be considered your main residence at the time of disposal.
- The home must have been owned for 10 years or more by the contributor, their spouse, or former spouse. Each member of a couple is able to make a downsizer contribution irrespective of who owned the property and ownership can be held solely, jointly, or as tenants in common.
- You must make the downsizer contribution within 90 days of receiving the sale proceeds (typically settlement day).

Notifying your fund of your intentions

To class an after-tax contribution as a 'downsizer contribution', you need to lodge a Downsizer Contribution into Superannuation form with the trustee of the fund no later than the date your superannuation fund receives the contribution.

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Benefits

- This measure enables members to contribute to superannuation above the annual after-tax contribution limit, as a downsizer contribution is not a “non-concessional” contribution and will not count towards the member’s annual contribution cap.
- This measure also enables members to contribute to super even if they have a total super balance of $1.7 million or more, which ordinarily would prohibit any further after-tax contributions.
- A member’s tax-free component of their superannuation balance will usually increase by the amount of the contribution. These funds, if paid to a non-tax dependant after the member’s death, will not incur tax on the tax-free component.

Consequences

- The total amount of super monies used to start pensions is capped at your personal transfer balance cap. For the period from 1 July 2021, your personal transfer balance cap is between $1.6 million and $1.7 million. You can view your personal transfer balance cap in ATO online. If you have reached your cap, any downsizer contribution must remain in accumulation phase (and will be subject to 15% tax on any earnings). This contribution will increase your super balance towards this cap.
- This contribution will add to your total super balance in future financial years. If you have total superannuation savings of $1.7 million or more, you will not be eligible to make any further non-concessional contributions.
- It is important that you seek advice from a registered tax agent to understand your eligibility for the capital gains tax exemption for main residence on your property.
- If you are looking to downsize your home, you need to consider the purchase price and fees associated with the purchase of your new home and check you will have sufficient funds left over for a worthwhile super contribution.
- Fees and costs may apply to contributions and your superannuation portfolio. For further details please see the 'Disclosures' section of your SOA and the Product Disclosure Statement (PDS) for your fund.
- Downsizer contributions will be added to your super and become assessable under the Centrelink and DVA means tests, whereas an individual’s main residence is exempt from means testing. This may result in a reduction in benefits.
- Centrelink rules provide pensioners who sell their principal residence a 12-month exemption under the assets test for the Age Pension. This will not apply to the value of your contribution as superannuation assets are assessable. This may result in a reduction in benefits.
- If you are a Department of Human Services/DVA customer, you are required to notify the Department of Human Services/DVA within 14 days changes that could impact your entitlement. This would include both the sale of the property and the contribution to super.
- Downsizer contributions will be added to your super balance which is assessed to determine eligibility for residential aged care and home care services. Further, the value of your home may currently be subject to a cap for calculating aged care fees whereas if you sell your home, the entire proceeds may be assessed when calculating aged care fees i.e. the cap no longer applies. This may result in an increase in aged care fees.

Date: 1 January 2023

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Divorce and super

Superannuation splitting laws allow superannuation to be included in matrimonial assets and divided when a relationship breaks down. The laws apply to married couples in all Australian states and territories, as well as de-facto relationships in all states and territories except Western Australia.

Certain superannuation accounts cannot be split under the splitting rules. These include accounts with a balance of less than $5,000 or a non-commutable pension or annuity of less than $2,000 per annum.

Following is a general outline of the steps that are required to split superannuation.

Obtain valuation information

The first step in splitting superannuation is to value the benefit. An eligible spouse can apply to the superannuation fund trustee for information about a member's superannuation interest.

If you are applying for information you need to provide:

- Form 6 Declaration, which satisfies the trustee that you are entitled to get the information for the purpose of divorce splitting, and
- Superannuation Information Request Form.

The superannuation fund may charge a fee for providing the information.

Decide the method of splitting

A decision on which assets are to be split can be effected using a binding financial agreement or by court order (a court order can be obtained with consent of both parties or by court hearing).

- Binding financial agreement – this is a formal written agreement to split superannuation and/or other assets which requires both parties to seek independent legal advice.
- Consent of both parties – if both parties have reached an agreement at the outset, then an Application for Consent Orders can be filed in the Family Court, accompanied by a consent order recording the agreement. The orders can then be made in chambers without either person attending court.
- Court hearing – if an agreement cannot be reached, a court order can be sought.

Instruct the superannuation fund

The settlement may take some time to resolve. Therefore it may be prudent for a member of a separating couple to serve a copy of a flagging order on the superannuation fund trustee as soon as possible after separation. This prevents withdrawals being made before an agreement is reached.

Once the agreement is reached, a copy should be provided to the superannuation fund trustee as soon as possible to lift the flagging order and arrange any split. Evidence of the divorce or separation (Decree Absolution or separation declaration) may need to be provided to the fund.

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Splitting the superannuation

Once a superannuation fund trustee has received all of the required documentation, the account balance/benefit will be split as required under the terms of the superannuation agreement or court order. The split can be nominated as a dollar or percentage amount and can apply to both accumulation and pension phases.

Depending on the type of superannuation interest and rules of the fund, it may be possible for a member's account to be split immediately upon receipt of the agreement or order or the split may need to be deferred until a future point in time (such as when the member retires and becomes entitled to benefits). If the split is to be deferred a flagging agreement is placed on the account.

To split an accumulation account the required amount is withdrawn from the member's account and is either rolled over to a new/existing account for the receiving spouse. This can be in the same fund or a different fund. The tax-free and taxable components of the member's account balance are calculated immediately before the split and this proportion applies to the receiving spouse's benefit.

To split a pension account, the income stream would usually be commuted (in full or part) to pay the benefit to the receiving spouse. If the pension cannot be commuted because of the super fund's governing rules, the pension payments can be split. This would result in two regular payments being made from the same income stream, one payment to the member spouse and a separate payment to the non-member spouse.

Consequences

- A superannuation fund trustee is allowed to charge a reasonable fee to cover the administrative cost of splitting or flagging an interest.
- If you agree to receive a superannuation split of preserved funds from your ex-spouse the benefit will be preserved in your account until you meet a condition of release.
- The split of superannuation is taken into account with the total financial settlement. Receiving superannuation funds may mean you receive less of other accessible assets.
- The amount split to an ex-spouse does not trigger a tax assessment for the paying spouse. Nor is it counted against the receiving spouse's contribution caps.
- Legal advice should be sought to ensure the full terms and conditions of any split is understood and to ensure documents are drafted correctly.
- Fees may be charged for transfers into the receiving spouse's account. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.

Date: 30 September 2020

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Small business CGT concessions

Small business owners who sell business assets may be eligible to contribute the proceeds into superannuation to help fund their retirement.

Benefits

- Investing in superannuation boosts your savings to help meet your retirement goals.
- The rate of return inside superannuation may be higher after-tax than investing outside superannuation. This is because earnings inside superannuation are taxed at a maximum rate of just 15%, whereas earnings from non-superannuation investments are generally taxed at your marginal tax rate. This helps your savings to grow faster.
- Your tax-free component will increase. This amount can be withdrawn tax-free at any age once satisfying a condition of release and is also tax-free if paid to a non-tax dependent (such as an adult child) after your death.

How it works

Rather than saving for retirement during their working lives, many small business owners instead use surplus funds to grow their business. The CGT cap exists to allow small business owners to make large contributions into super once business assets have been sold.

To be eligible to use the CGT cap, you must first be eligible for a small business CGT tax concession.

Qualifying for the small business CGT tax concessions

To be eligible for the small business CGT tax concessions, the following basic conditions must be met:

- The net value of assets owned by your business and related entities is less than $6 million, or the (aggregated) turnover of the business is less than $2 million each year.
- The asset being sold has been used in running a business or it is held ready to be used in running a business (ie is an active asset).
- If the asset being sold is a share in a company or an interest in a trust, there must be a 'significant individual' and the entity claiming the concession must be a 'CGT concession stakeholder' of the company or trust.

If you meet the basic conditions, you are automatically eligible for the 50% active asset reduction which enables you to reduce the capital gain from the sale of a small business active asset by 50%. It is not compulsory to use claim this concession, and in fact, it can sometimes be beneficial not to claim it as it can reduce the amount that can be contributed into superannuation using the CGT cap.

The following table outlines other CGT tax concessions which are available but which have further eligibility conditions attached.

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Concession	Detail
15-year exemption	If the business asset being sold had been owned for at least 15 years, the entire capital gain may be exempt from tax under the 15-year exemption. The entire sale proceeds can be contributed into superannuation using the CGT cap (up to the lifetime limit).
$500,000 retirement exemption	Up to $500,000 (lifetime limit) of assessable capital gain can be exempted from tax using the retirement exemption. If you are under age 55 you must contribute this amount to superannuation. If you are over age 55 you can take it in cash or choose to contribute it to superannuation. The superannuation amount is contributed under the CGT retirement cap.

Contributing the proceeds into super

The amount you can contribute into super is limited by contribution caps. The CGT cap enables small business owners who are eligible for CGT tax concessions to contribute larger amounts into super closer to retirement.

The CGT cap provides a lifetime limit of $1,650,000 for 2022/23 (the cap is indexed). This limit applies to total contributions made from the following amounts:

- up to $500,000 of capital gains which have been exempted using the $500,000 retirement exemption
- the sale proceeds from an asset that is eligible for the 15-year exemption
- an asset that would otherwise qualify for the concessions but is a pre-CGT asset (purchased before 20 September 1985) or was sold for a capital loss.

To use the CGT cap, you need to make the contribution by the later of the date you lodge your tax return or 30 days after receiving sale proceeds. At the time of making the contribution you need to complete a ‘Capital Gains Tax election form’ and give it to the superannuation fund.

Consequences

- As the CGT cap is a lifetime limit, in some cases it may be beneficial to use the non-concessional contribution cap first and retain the CGT cap for future use.
- The eligibility criteria for the small business CGT concessions are complex and you must seek tax advice to determine your eligibility.
- Time limits apply to be eligible to use the small business CGT concessions and the CGT cap.
- If you exceed your CGT cap, the excess contributions will count towards your non-concessional contribution cap.
- All contributions to superannuation are preserved until you meet a condition of release.
- Fees may be charged for your superannuation contributions. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.

Date: 1 July 2022

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Overseas pension transfers

Transferring your overseas pension funds into an Australian super fund can simplify your finances and provide tax and Centrelink benefits.

Benefits

- It may be easier for you to keep track of your retirement savings if they are all in one account
- Australian superannuation is tax-free after age 60 which is simple and may be more tax-effective
- Australian pensions may be assessed more favourably under the Centrelink/Veterans' Affairs (DVA) income test treatment which may create potential for increased Age Pension entitlement.

How it works

If you have worked overseas, you may have some money in an overseas pension fund. Some countries (but not all) allow these funds to be transferred into an Australian superannuation fund.

If your overseas fund does allow a transfer to Australia, you should measure the costs of transfer against the benefits. The costs of the transfer can include withdrawal fees, tax and currency fluctuations.

Transfers of overseas pension funds can take several months to process. This means the account balance today may be different than at the time of transfer because of investment earnings and currency fluctuations.

Australian tax implications

If an overseas pension fund is transferred to Australia, it will not be taxed in Australia if the amount is received in Australia within six months of you becoming an Australian tax resident.

If the transfer occurs more than six months after you become an Australian tax resident, the growth portion of the transfer is taxable. The growth portion is essentially the earnings since you became an Australian tax resident. It is calculated as the total transfer amount less the value at the date you became an Australian resident.

Because transfers to Australia can often take several months, most transfers will be received after the six month period and will therefore have a taxable amount.

The taxable amount is included in your assessable income where it will be taxed at your marginal tax rate. However, if you transfer the full balance of your overseas pension fund, you can elect to have the taxable amount taxed within your superannuation fund at the super fund rate of 15%.

Superannuation contribution caps

The transfer is considered a personal superannuation contribution which means you must be eligible to contribute and the contribution will count towards your contribution caps.

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If you elect to have tax deducted within the fund, only the non-taxable portion will count towards the non-concessional contribution cap. But if you pay the tax personally in your tax return, the full transfer amount is included.

The superannuation fund cannot accept a transfer that exceeds the non-concessional contribution cap.

If you are under age 67 on the 1st of July you are still able to bring forward two years of non-concessional contributions, enabling you to contribute up to three years of contributions (maximum $330,000) in one year with no further contributions in the next two years. This limit will reduce if your total superannuation savings are more than $1.48 million on the 30th of June prior to the financial year in which you trigger the bring-forward rule. These rules are complex so it is important that you get advice.

Transfers from the UK

Transfers from the UK are only allowed if the Australian superannuation fund is a Qualified Recognised Overseas Pension Scheme (QROPS). Recent changes to UK laws have made it difficult for superannuation funds to qualify as a QROPS. You should check details with the fund you wish to make a transfer to.

The UK do not tax amounts transferred into a QROPS if the amount is below your lifetime allowance. Amounts in excess of your lifetime allowance are taxed by the UK at the rate of 25%. If money is transferred to a fund that is not a QROPS, the UK will charge penalty tax at the rate of 40%, with an additional tax applying if more than 25% of your balance is transferred to a non-ROPS in a 12 month period.

If you have lived in the UK in the past five years, limitations will apply to withdrawals and rollovers from the Australian superannuation fund. These limitations will exist until five years has elapsed since you last lived in the UK.

Consequences

- Withdrawing from your overseas pension fund may cause you to lose benefits associated with that fund, such as insurance or death benefit options. You also may incur fees and/or taxes for early withdrawal.
- Not all overseas funds will allow a transfer to Australia, and not all Australian superannuation funds can accept overseas funds. You should check with both funds to ensure the transfer can take place.
- Contributions to Australian superannuation (including overseas transfers) are preserved until a condition of release is met.
- If you exceed your NCC cap, tax penalties may apply.

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- If you have total superannuation savings of $1.7 million or more at 30 June you will not be eligible to make non-concessional contributions.
- The total amount of super monies used to start pensions is capped at your personal transfer balance cap. For the period from 1 July 2021, your personal transfer balance cap is between $1.6 million and $1.7 million. You can view your personal transfer balance cap in ATO online. All superannuation income streams are assessed against the transfer balance cap regardless of when it first commenced. You can retain excess amounts in your accumulation accounts where tax at 15% continues to apply.
- Fees may be charged for your superannuation contributions. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.

Date: 1 July 2021

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