

SUPERANNUATION

KEEPING UP WITH THE CHANGES

1. RECENT CHANGES

Same-sex relationships

The Government has now passed legislation to effectively end discrimination against same-sex relationships across 68 different Commonwealth laws. Of most importance from a financial aspect are the changes in relation to superannuation death benefits and social security.

Temporary residents' superannuation

The Government has now passed changes to temporary residents' superannuation. The main changes in this area are:

- Increasing the withholding rate on the "taxed" and "untaxed" components of a Departing Australia Superannuation Payment (DASP) from 30% and 40%, to 35% and 45% respectively.
- Superannuation of a temporary resident will effectively become unclaimed monies and payable to the Tax Office:
 - once the individual ceases to hold a temporary visa;
 - the individual has departed Australia;
 - at least six months has passed; and,
 - they have not claimed their superannuation.
- Departed temporary residents who have unclaimed superannuation paid to the Tax Office will be able to claim back their money at any time, by applying to the Tax Office for the amount to be paid to them, or transferred to a super fund in certain limited circumstances.

2. CHANGES OCCURRING OR EXPECTED IN THE NEXT 6 MONTHS

Change to income definitions for the Government co-contribution

A consultation paper was released on 7 November 2008 discussing the new

income definitions as announced in the 2008 Federal Budget. The consultation paper proposes that salary sacrifice superannuation contributions be included in the income definition when calculating entitlements to the Government superannuation co-contribution.

Whilst this change will potentially reduce or eliminate the Government co-contribution for some employees, a superannuation salary sacrifice arrangement is generally still a tax effective strategy for many individuals.

Also affected are the income definitions used for tax offsets, Medicare surcharge, social security benefits and family assistance benefits. These proposed changes are discussed in the appropriate sections below. We will provide updates on all these proposed changes once the outcomes from the consultation are known.

Proposed changes to the Super Guarantee late payment offset

A bill has been introduced into Parliament which, when passed, should encourage employers who are liable for a superannuation guarantee charge to make the relevant payment on a more timely basis.

In broad terms, there will be a tightening of the period within which an employer can make a superannuation contribution for an employee and use that contribution to offset any superannuation guarantee charge. There will also be a change in the general interest charge formula, with the result being that the earlier the employer pays the late superannuation guarantee contribution involved, the lower the general interest charge applying. This change is proposed to come into effect from the date the Bill receives Royal Assent

3. OTHER ISSUES ON THE HORIZON

Super contribution clearing house

A two-part discussion paper was recently released regarding a proposed optional clearing house facility for superannuation contributions and the lost superannuation members' framework. Submissions and comments closed on 19 December 2008.

In simple terms, it is envisaged that the optional clearing house facility will help reduce red tape and compliance costs by allowing employers to pay their contributions to a single location. This will be free for employers with less than 20 staff. The clearing house will also manage employers' obligations under Superannuation Choice.

The paper also canvasses possible initiatives to improve the operation of the lost members' framework, including potentially utilizing a rolling together mechanism of lost accounts.

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