

bulletin

June 2008

May 2008 Federal Budget and Super

Welcome to a special AvSuper Bulletin, detailing superannuation related changes proposed in the Federal Government's May 2008 Budget.

Changes to the way salary sacrifice affects Government payments

The Government has proposed changes to the way salary sacrificed (pre-tax) amounts count towards various Government payments. From 1 July 2009, your salary sacrifice super contributions will now count towards your assessable income for means test purposes for some Government

payments and benefits, including the super co-contribution, family assistance payments, child support payments and seniors card eligibility .

While there is no change to the way your salary sacrifice contributions to AvSuper are

treated once they arrive in your account, they may now affect your continuing eligibility for some government payments. If you are using salary sacrifice, you may wish to visit www.ato.gov.au to find out more about how these tax changes might affect you.

Other Budget changes

The Government's 2008 Federal Budget also introduced a number of other changes that have no direct link to superannuation, including personal tax cuts, changes to FBT rules, and new medicare levy surcharge thresholds. To find out more you can check out a full summary of the Budget changes via www.ato.gov.au/budget

First home saver accounts

The Government has completed its public consultation process about the First Home Savers Accounts. The Government has decided to defer the introduction to commence from 1 October 2008.

There are a number of challenges for super funds to overcome if they wish to offer first home savings accounts in a cost effective manner to members and AvSuper's Trustee is presently considering its options.

Temporary residents

The Government says that many temporary residents fail to claim their superannuation when they permanently depart Australia, which means a significant amount of temporary resident's superannuation ends up as part of the nation's "lost super."

Under new arrangements, the Government has indicated that superannuation amounts held by temporary residents are required to be paid/transferred to the ATO and may be forfeited, if not claimed within 5 years of permanent departure from Australia.

This proposal was due to take effect from 1 July 2008. However, the current Government decided to extend the introduction of the legislation to allow consultation with the superannuation industry. The proposed date of implementation is now expected to be some time later in 2008.

Tax Free Benefit Payments for members with Terminal Medical Illnesses

In September 2007, the former Government announced that lump sum superannuation payments paid to members with a terminal medical illness would be exempt from withholding tax. In February 2008, the current Government introduced further changes to apply the new tax free rules retrospectively to payments made from 1 July 2007.

The Government also announced a new 'condition of release' to apply to superannuation legislation from 16 February 2008 to further facilitate the tax free payment of lump sum superannuation payments to members suffering from a terminal illness.

Importantly, the new condition of release does not specifically require cessation of employment in order to determine eligibility for payment (as is usually the case for a superannuation payment). This recognises that some terminal illnesses may not prevent people working, and allows them to be able to access their superannuation benefits in order to meet the costs of medical/palliative care and arrange their estate.



Contact us

You can contact us:

Toll free 1800 805 088
 Web www.avsuper.com.au
 Email avsinfo@avsuper.com.au

AFSL No. 239078 ABN 84 421 446 069 (Fund) ABN 46 050 431 797 (Trustee)

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