

## Decision on excess non-concessional contributions a win for SMSF trustees

**13 May 2014:** The Federal Government's decision to introduce a mechanism to allow taxpayers to withdraw excess non-concessional contributions made after 1 July 2013 is a win for SMSF trustees.

Jordan George, Senior Manager, Technical & Policy, of the SMSF Professionals' Association of Australia (SPAA), said: "This is good news as it stops punitive tax outcomes where taxpayers can pay up to 93% on excess non-concessional contributions.

"We congratulate the Government on allowing taxpayers to refund excess non-concessional contributions, removing the overly punitive outcomes.

"SPAA has advocated for this treatment of excess non-concessional contributions for many years and is pleased to see the Government has responded to our concerns.

"Although the announcement is welcomed, the Government needs to work through the details of the proposal because the suggestion to allow taxpayers to withdraw earnings associated with the excess non-concessional contributions is likely to result in complex compliance requirements."

In other superannuation measures, the Superannuation Guarantee (SG) Rate will increase to 9.5 per cent from 1 July 2014, instead of remaining at 9.25% as the Government included in the Minerals Resource Rent Tax Repeal and Other Measures Bill 2013 that it has been unable to pass through the Senate.

The SG rate will then be frozen at 9.5 % until 30 June 2018, and on 1 July 2018 it will resume increasing by 0.5% increments until it reaches 12% in 2022-23.

George said that SPAA was pleased to see that employers and superannuation fund members would have certainty on 1 July 2014

about the SG rate.

“This is important to ensure confidence in the superannuation system. However, SPAA is disappointed that the SG rate will then be frozen for four income years instead of two as the Government originally proposed. The move to a SG rate of 12% is an important measure in ensuring that Australian’s have adequate superannuation balances.”

As widely foreshadowed, the Government announced it would increase the Age Pension to 70 from 2035. From 1 July 2025, the Age Pension qualifying age will continue to rise by six months every two years, from the qualifying age of 67 years that will apply by that time, to gradually reach a qualifying age of 70 years by 1 July 2035. People born before 1 July 1958 will not be affected by this change.

George said that SPAA understood the need for a sustainable pension system with an aging population being a major challenge for Australia to address.

“But we still believe that there needs to be careful and considered debate around how the superannuation system and social security system interact with the pension age rising to 70.

“Workers that are involved in physically intensive industries and those that sustain work-related injuries or are unable to work due to illness need to be catered for by a system with a higher Age pension age.”

The Government will ensure that the Age Pension is indexed to the Consumer Price Index (CPI) from 1 September 2017. Currently, pension payments are indexed in line with the higher of the increases in the CPI, Male Total Average Weekly Earnings or the Pensioner and Beneficiary Living Cost Index.

## **About SPAA**

The SMSF Professionals' Association of Australia (SPAA) is the authoritative voice for the self-managed superannuation fund (SMSF) sector. SPAA, which represents professionals providing a range of services across various disciplines in the complex area of SMSFs, is an advocate for the highest professional standards and competence to ensure SMSF trustees always receive the best possible advice.

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