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# Proposed super reforms

Reforms to Australia's super system have been announced that will be considered by Parliament after the Federal election in September 2013.

If legislated, the proposals will impact many super fund members before and after retiring. Below is an overview of the key proposals and how they could affect you.

## Increased concessional contribution cap

**Proposed date of effect:**
**1 July 2013 and 1 July 2014**

Currently, pre-tax and other concessional super contributions are capped at $25,000 pa, regardless of your age. This cap will increase to $35,000 pa from:

- 1 July 2013 for people aged 60 and over, and
- 1 July 2014 for people aged 50 and over.

Concessional contributions include, but are not limited to, all employer contributions (including salary sacrifice) and personal deductible contributions.

This measure is good news if you're closer to retirement, as it will give you the option to put more into your super and save on tax.

## Excess contribution refunds

**Proposed date of effect:**
**1 July 2013**

If you make concessional super contributions that exceed the cap from 1 July 2013, you'll be allowed to withdraw the excess amount.

These withdrawals will then be taxed at your marginal rate, plus an interest amount. This may result in some significant tax savings, particularly for lower to middle income earners, as excess concessional super contributions are currently taxed at 46.5%.

## Tax on pension earnings over $100,000

**Proposed date of effect:**
**1 July 2014**

Currently, all earnings from assets held in a super pension are tax-free. From 1 July 2014, only the first $100,000 in earnings per member will be tax-free and earnings above this threshold will be taxed at 15%.

More details from the Government will be required before the complete impact of this measure can be determined. But it will generally only impact you if:

- you have a large amount invested in a super pension (approximately $2 million), or
- your fund makes a capital gain when selling assets that takes the fund's income above $100,000.

**Note:** This proposal relates to income earned by assets in a super pension and not to income payments received from a super pension.

## Social security changes to account-based pensions

**Proposed date of effect:**
**1 July 2015**

Currently, income payments received from an account-based pension are concessionally treated under the social security income test. However, the Government has proposed that, from 1 July 2015, account-based pensions will be treated the same as other financial assets and be deemed to earn a particular rate of interest, regardless of the income actually earned.

This measure could impact age pension payments if introduced, but will not apply to account-based pensions started before 1 July 2015.

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