

SUPERANNUATION: GOVERNMENT CO-CONTRIBUTION

The co-contribution is an Australian Government initiative to assist eligible low to middle income earners save for their retirement. The Government is encouraging all taxpayers to make more provision for their retirement by matching non concessional (non tax deductible) contributions made to a complying superannuation fund. The maximum co-contribution amount that the Government will contribute is \$500.

The eligibility criteria have been widened to include more people. The co-contribution initiative has been extended to include the self-employed persons from the 1/7/2007. This now means that 10% or more of your total income can be earned from eligible employment, carrying on a business or a combination of both.

How does it work?

If your total income (your assessable income + your reportable fringe benefits) is less than \$48,516 for the financial year and you make personal superannuation contributions of up to a \$1,000 and are otherwise eligible, the Government will make a super co-contribution.

Where your total income for co-contribution purposes is \$33,516 or less in a year of income, the Government will contribute fifty cents (\$0.50) for every dollar (\$1) you contribute to your superannuation fund, up to the maximum co-contribution amount of \$500 a year. This maximum co-contribution amount is reduced by 3.33 cents for every \$1 your total income is over \$33,516, phasing out completely when your total income is \$48,516 or more.

Eligibility

From 1 July 2007, you will be eligible for the co-contribution in a year of income if:

- you make a personal superannuation contribution by the 30th June each year into a complying superannuation fund or retirement savings account
- your total income is less than \$48,516
- 10% or more of your total income is from eligible employment, running a business or a combination of both
- you are less than 71 years old at the end of the income year
- you do not hold an eligible temporary resident visa at any time during the year

Superannuation co-contribution

Self-employed individuals are only eligible for the super co-contribution from the 2007–08 income year and onwards, therefore only personal contributions made from 1 July 2007 will count. Remember, you are not entitled to a co-contribution for contributions you claim as a tax deduction, and your super fund must have your tax file number (TFN) to accept your co-contribution.

What qualifies as a personal superannuation contribution?

Personal superannuation contributions are the amounts you choose to contribute to your superannuation fund from your after tax income. This is in addition to any employer contributions and does not include contributions made through a salary sacrifice arrangement.

You must make one or more personal superannuation contributions during the income year to obtain the co-contribution. The contributions must be made to a complying superannuation fund or retirement savings account. Only your personal 'after tax' superannuation contributions count. The following superannuation contributions do not attract the co-contribution:

- super guarantee contributions (made by your employer),
- contributions made by your spouse or any other party on your behalf, and
- salary sacrifice contributions (these are considered to be employer contributions).

The super co-contribution applies only to eligible personal superannuation contributions for which an income tax deduction has not been claimed. If you are self-employed and want to take advantage of the super co-contribution plus claim a taxation deduction for part of your superannuation contributions, you will need to advise your superannuation fund as to the split of the contributions you make for the year. An example is as follows:

Total contribution made is	\$5,000
Co-contribution component	500
Concessional (tax deductible) component	4,500

How do I make a personal contribution?

Your superannuation fund will be able to advise you of the best way to make a personal superannuation contribution. Most funds offer different options for making contributions including BPAY, direct debit or through your bank account. In some cases, you may be able to deposit a certain amount into your superannuation account directly from your wages. This must be a contribution after tax has been withheld from your wages. Before making a contribution you should confirm your eligibility with your accountant.

How will the co-contribution be paid?

The co-contribution will generally be paid directly into the superannuation account to which you made your personal superannuation contribution, providing that the fund will accept the co-contribution. If you wish to have your co-contribution paid into a particular superannuation fund, you can complete a Superannuation fund nomination form to notify the ATO of this. It is important that this nomination is completed before the ATO receives all of the information necessary to make the co-contribution payment.

The Tax Office will send you a letter with details about your co-contribution amount after it has been paid to your superannuation fund. Your superannuation fund should also include the co-contribution on your annual member statement.

Summary of steps to take

Make sure you meet the eligibility criteria.

Make your member contribution prior to the end of the financial year. 30th June.

Lodge your income tax return.

The Australian Taxation Office will then process your co-contribution.