

**NORTON & SMAILES**  
LAWYERS

SPECIAL EDITION

# **TAX** matters

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## **SUPERANNUATION IS CHANGING – is your SMSF deed ready?**

From 1 July 2007, most of the Simpler Super changes stemming from the 2006 Federal Budget will take effect. This means Australians have less than two months to prepare for the biggest changes to superannuation in a decade. The superannuation changes will have far-reaching effects on retirement planning and estate planning for clients. Now is the time to be planning strategies and preparing your clients for the changes.

### **Key changes from 1 July 2007**

The language of superannuation has changed. Deductible (pre-tax) contributions are now concessional contributions. Non-deductible (after-tax) contributions are now non concessional contributions. The age based maximum deductible contribution limit is now a concessional contribution cap. A post-component is now a taxable component. Undeducted, pre '83, post June '94 invalidity, concessional and CGT components are now all tax-free components.

People aged 60 or older will pay no tax on their super benefits, regardless of whether they are withdrawn in a lump sum or paid out as an income stream. For

people between 55 and 60 years, benefits will generally be taxed at the rate of 15%.

Reasonable benefit limits (RBLs) will be abolished. You can now have as much in super as you like subject to new yearly contribution limits.

After 1 July 2007 age-based contribution limits will be replaced with a maximum concessional (pre-tax) contribution limit set initially at \$100,000 per person per annum for the financial years 2008 to 2012, for persons aged 50 or over. For those persons aged under 50, the contribution limit is \$50,000 per person, per annum. The \$50,000 cap will be indexed to average weekly ordinary time earnings, increasing in \$5,000 increments. You can make a non concessional (undeducted) contribution of \$150,000 a year or you may qualify to make a \$450,000 contribution every three years through averaging.

New rules will also apply to the taxation of death benefits paid to a tax dependant. For example, a lump sum superannuation death benefit payment paid to a tax dependant will be tax free.

The above are only a few of many far reaching changes.

### **Our comment – SMSFs**

For those clients with a Self Managed Superannuation Fund ("SMSF"), due to the enormity of the reforms, we strongly recommend that all Fund deeds be carefully reviewed now. This is particularly important for those SMSF members who intend to consider superannuation or retirement planning in the near future. In any event, we recommend that a member's SMSF deed be reviewed in detail before implementing any significant decision such as commencing an income stream, making large contributions, making a death benefit nomination (do you want it to be binding or not?) or completing estate plans. Severe penalties can apply in the event of non-compliance such as loss of concessional tax status. Having an up to date deed may help reduce the chances of non-compliance occurring.

**Contact Daniel Fry or Alan Krawitz to arrange to have your or your clients' SMSF deeds reviewed before 1 July 2007. Discounts which may apply for larger orders can be discussed.**

IMPORTANT: The articles in this newsletter are in summary form and should not be relied on as a substitute for detailed advice.

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