



## MACBITES

### SUPERANNUATION

#### 2009 Federal Budget: Possible Changes - Strategies

There have been many rumours circulating about the contents of the forthcoming Federal Budget (to be delivered on 12 May 2009), particularly concerning superannuation. These rumours include:

1. Changes to the taxation treatment of concessional (ie. tax deductible) superannuation contributions within a fund.
2. Changes to the size of the tax deduction for making concessional contributions.
3. Removal of the "2 year" rule for non concessional (ie. non tax deductible) superannuation contributions that has the effect of bringing forward such contributions.
4. Increase in the taxation rate imposed on superannuation fund income.
5. Elimination of the entitlement to a refund of excess imputation credits.
6. Removal of tax deductions for insurance premiums paid for life and disability cover by a superannuation fund.
7. Introduction of taxation events on the conversion of fund assets from the accumulation phase to pension phase.
8. Introduction of some form of limit on benefits paid from superannuation funds, or limitation on the current tax concessions on those benefits.
9. Removal of the transition to retirement income stream or limiting its availability.
10. Restrictions on the use or establishment of self managed superannuation funds. Such restrictions could be based on asset levels.

It should be noted that these points are just rumours at this stage. The intention of the Government will not be known until 12 May 2009.

However, it may be worthwhile for you to consider whether you should implement any strategies prior to 12 May, particularly if you were considering implementing those actions before 30 June or shortly thereafter.

Detailed below are some of the possible strategies that you could consider or discuss with us prior to 12 May. In considering these issues, you should be aware that if the Budget results in unexpected changes, any action taken by you may not have the intended effect.

#### Concessional Contributions (ie. tax deductible)

- Making your personal and/or employer concessional contributions to a fund before 12 May rather than waiting until just prior to 30 June.

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### **Non Concessional Contributions (ie. non tax deductible)**

- Making your personal non concessional contributions to a fund before 12 May rather than waiting until just prior to 30 June.
- Consider whether you can and should utilise the “2 year” bring forward provisions. You should be aware that if you are turning 65 in the 2010 or 2011 year, bringing forward your contributions could actually reduce the level of non concessional contributions you could have made if there are no adverse changes in the Budget.

### **Converting from the Accumulation to the Pension Phase**

- Consider whether benefits could be converted to the pension phase prior to 12 May in case there are adverse announcements on the conversion process (such as a notional CGT calculation). In considering this strategy you should be aware that:
  - Certain conditions of release (relating to age and work status) may need to be met before your pension can commence.
  - Pensions may be able to be converted back to the accumulation phase after 12 May.
  - Minimum pensions would need to be paid for the period from commencement of the pension to 30 June 2009 or commutation if earlier.
- This should be carefully considered where you are eligible to commence a transition to retirement income stream prior to 12 May 2009.

### **Benefit Payments**

- Where minimum pension payment requirements need to be met by 30 June, 2009, consider whether all pension payments that were going to be drawn from the fund should be made before 12 May rather than waiting until just prior to 30 June. You should note that minimum account based pension payment requirements have been reduced for this year by 50%.
- Where lump sum payments were going to be withdrawn from the fund before year end, consider whether you might arrange for these payments to be made before 12 May.

### **Income Receipts**

- In circumstances where you have control of the timing of distributions or dividends from private trusts or private companies to a superannuation fund, you might consider whether a distribution can or should be made to the fund prior to 12 May, particularly where there are imputation credits. In the case of a private trust, the Deed will need to be checked to determine if it permits interim distributions.



### **Insurance Premiums**

- If insurance premiums are to be paid from a fund in the near future, consider paying the premiums before 12 May, rather than waiting for the date upon which the premium is due.

### **Establishing a Self Managed Superannuation Fund (SMSF)**

- If you were considering establishing a SMSF this year, consider establishing it prior to 12 May rather than waiting until closer to 30 June.

### **Conclusion**

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Please contact us if you wish to discuss any of these matters in relation to your specific circumstances.

7<sup>th</sup> May, 2009