



## News from the Federal Government's 8 May 2007 Budget A summary of superannuation and related changes

This year's Federal Government's Budget delivered tax relief to low and middle income earners, however, very few changes to the superannuation system were announced.

The proposed changes include:

- New income tax thresholds
- A one-off doubling of the co-contribution match for the **2005-2006** financial year
- Simpler Super and an amended work test
- Banning participating employer agreements
- No capital gains tax payable on super transfers in the event of a marriage breakdown

### New income tax thresholds

Once again the Federal Government has delivered tax cuts to income earners. The new tax rates and the effect they will have are shown in the tables below:

Current tax thresholds Income range (\$pa)	Tax rate %	From 1 July 2007 Income range (\$pa)	Tax rate %	From 1 July 2008 Income range (\$pa)	Tax rate %
0-6,000	0	0-6,000	0	0-6,000	0
6,001-25,000	15	6,001- <b>30,000</b>	15	6,001-30,000	15
25,001-75,000	30	<b>30,001</b> -75,000	30	30,001- <b>80,000</b>	30
75,001-150,000	40	75,001-150,000	40	<b>80,001</b> -180,000	40
150,001+	45	150,001+	45	<b>180,001+</b>	45

### Effect on take home pay

Income per year	Saving for 2007/2008	
	per year	per week
\$15,000 to \$25,000	\$150	\$2.88
\$26,000	\$340	\$6.54
\$27,000	\$530	\$10.19
\$28,000	\$720	\$13.85
\$29,000	\$910	\$17.50
\$30,000 to \$40,000	\$1,100	\$21.15
\$45,000	\$900	\$17.31
\$50,000 +	\$750	\$14.42

### A one-off doubling of the co-contribution match for the 2005-2006 financial year

The Federal Government announced a one-off doubling of the co-contribution (from a maximum \$1.50 for every \$1 to \$3 for every \$1) for those who made an eligible contribution in the 2005-2006 financial year. The majority of the extra payments will be made by 30 June 2007.

So, for example, a person eligible for the full co-contribution (earning less than \$28,000) who paid in \$1,000 would receive \$3,000 rather than \$1,500.

The minimum and maximum thresholds and taper rates remain the same.



# FIRST STATE SUPER

FSS Trustee Corporation

ACN 118 202 672 AFSL 293340 RSE L0002127

## Simpler Super and an amended work test

An irregularity arising from the introduction of last year's Simpler Super changes disadvantaged certain age groups. People aged 64 or 74 at anytime between 10 May 2006 and 30 June 2007 will no longer need to satisfy the work test during that time to make a personal superannuation contribution. Instead, those aged 64 can make contributions without having to satisfy the work test and those aged 74 can meet the work test in 2005-06 or 2006-07.

## Banning participating employer agreements

Effective from 1 July 2007, the Federal Government proposes to ban public offer superannuation funds from making **new** employers sign "participating employer" agreements before the fund accepts contributions on behalf of their employees.

A fund can currently require employers to become "participating employers" before accepting contributions. This can reduce the choice of funds available to workers because an employer does not have to agree to be a participating employer in a fund nominated by employees under choice of super rules.

First State Super does not require employers to sign a participation agreement.

## No capital gains tax payable on super transfers in the event of a marriage breakdown

The Federal Government is proposing to introduce legislation effective from 1 July 2007 to allow a spouse involved in a marriage breakdown to be able to transfer their entire benefit from a small superannuation fund to **any** another complying superannuation fund without triggering an immediate capital gains tax event. Currently the capital gains tax rollover relief only applies to transfers between small super funds.

### More information

More information is also available on the Australian Government's Budget 2007-2008 website at <http://www.budget.gov.au/>

It is recommended that you consult a licensed or authorised financial adviser if you require financial advice which takes into account your personal circumstances.

**Important Note:** This communication contains general information only and does not take into account your personal objectives, financial situation or needs. It is therefore important before deciding whether to become a member of First State Super (or, if you are already a member, to continue your membership) that you consider the First State Super Product Disclosure Statement (PDS) having regard to your own situation. The PDS is available by visiting [www.firststatesuper.com.au](http://www.firststatesuper.com.au) or by calling 1300 650 873 for a copy. The information contained in this document is current as at 9 May 2007. FSS Trustee Corporation ACN 118 202 672, AFSL 293340, RSE L0002127, is the trustee of the First State Superannuation Scheme ABN 53 226 460 365, RSE R1005134.