

# Super Knowledge

## Government co-contribution for super contributions

The super co-contribution is an Australian Government initiative introduced on 1 July 2003 to assist eligible low-to-middle income employees and self-employed people in saving for their retirement.

The maximum Government co-contribution is 50 cents for every \$1 of eligible personal super contributions made in a financial year and is subject to an income test.

The maximum co-contribution of \$500 is reduced by 3.333 cents for every \$1 that the taxpayer's total income exceeds \$34,488 in 2014–15 until it reaches or exceeds \$49,488.

The Government co-contribution does not count toward either the concessional or the non-concessional contributions caps.

### Eligibility

A person may be eligible to receive a co-contribution if all of the following criteria are met:

- The person makes one or more eligible personal super contributions (a personal non-concessional contribution) during the income year.
- 10% or more of the person's **total income 1** for the income year is attributable to the following:
- employment, where the person is an employee for SG purposes, and/or
- self-employment, where the person is carrying on a business.

**Total income 1** = assessable income + reportable fringe benefits + reportable employer super contributions.

- An income tax return for the person for the income year is lodged.
- The person is less than 71 years old at the end of the income year.
- The person does not hold a temporary visa under the Migration Act 1958 at any time in the income year or, if they do, is a New Zealand citizen or the holder of a visa to be prescribed in the Regulations.
- The person's **total income 2** for the income year is less than \$49,488.

**Total income 2** = assessable income + reportable fringe benefits + reportable employer super contributions – any amounts for which the person is entitled to a deduction as a result of carrying on a business.

Note: You may need to check each fund's trust deed to confirm that the fund can receive the Government co-contributions.

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## Assessable income

- Assessable income is income before deductions.
- Deductions for personal super contributions will reduce taxable income, but will not reduce assessable income.
- Salary sacrifice will reduce assessable income; however, salary sacrifice super contributions are effectively added back through the inclusion of reportable employer super contributions in the income definitions (refer below).

## Reportable employer super contributions

Both **total income 1** and **total income 2** include a client's reportable employer super contributions in determining eligibility for and the amount of a co-contribution.

Reportable employer super contributions include the amount of superannuation contributions made on behalf of an individual by their employer or an associate of the employer where the individual has, or might reasonably be expected to have, the capacity to influence the size of the amount and/or the way the amount is contributed so that his or her assessable income is reduced. An example would be salary sacrifice arrangements which typically involve negotiations by an employee with their employer. Employer contributions made to meet the employer's superannuation obligations under Federal, State or Territory legislation are not RESCs. This includes an obligation under the Superannuation Guarantee (Administration) Act 1992

## Business deductions

The income concept used here is a net concept for individuals who carry on a business and is designed to ensure that self-employed individuals with high gross business receipts are not arbitrarily exceeding the co-contribution income threshold.

'Any amount for which a person is entitled to a deduction as a result of carrying on a business' has the meaning given by the Income Tax Assessment Act 1997 (ITAA 1997).

The general principles of s8-1 of ITAA 1997 must be met. That is, a business can deduct any loss or outgoing to the extent that "it is necessarily incurred in carrying on a business for the purpose of gaining or producing your assessable income". There are also specific deductions that certain provisions of the act allow. Division 12 of ITAA 1997 contains a reference table of specific personal and business deductions.

## Deductions for personal super contributions are not business deductions

The Explanatory Memorandum to the Tax Laws Amendment (Simplified Superannuation) Act 2007 made this specific exclusion to business deductions:

"Business deductions do not include work-related employee deductions or deductions that are available to eligible individuals (including the self-employed) for their personal superannuation contributions." paragraph 7.53

### Tip!

A practical guide to business deductions, Income Tax and Deductions for Small Business (NAT 10710) can be found at [www.ato.gov.au](http://www.ato.gov.au)

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## Calculating the Government co-contribution

The maximum co-contribution of \$500 is potentially available to individuals whose **total income 2** in 2014–15 does not exceed \$34,488 pa. The maximum co-contribution reduces by 3.333 cents for every dollar of **total income 2** over \$34,488, cutting out at \$49,488.

A person's maximum co-contribution limit is calculated as follows:

$$\$500 - [((\text{total assessable income} + \text{RFB} + \text{RESCs} - \text{any amounts for which the person is entitled to a deduction as a result of carrying on a business}) - \$34,488) \times 0.03333].$$

A person's co-contribution entitlement is the lesser of:

- the actual non-concessional contributions made during the financial year, and
- the person's maximum co-contribution limit as calculated above.

### Tips!

- If your client is entitled to a Government co-contribution but has reached preservation age and declared retirement or retired due to permanent incapacity or their legal personal representative is authorised to apply on behalf of the deceased person and no accumulation accounts are open to receive their co-contribution, they may apply to the ATO to have the co-contribution paid directly to them. Use the following form available at [www.ato.gov.au](http://www.ato.gov.au)

Super co-contribution – request for direct payment (NAT 10759)

- The ATO co-contribution calculator can be found at: [www.calculators.ato.gov.au](http://www.calculators.ato.gov.au)
- If your client has closed their super fund to which they made eligible personal contributions and rolled over to another fund, they can notify the ATO of the new fund details for receipt of a co-contribution by completing the following form available at [www.ato.gov.au](http://www.ato.gov.au)

Super fund nomination form (NAT 8676)

## Are children eligible for Government co-contributions?

A child may receive a co-contribution if they meet all the eligibility tests outlined above.

## Are spouse contributions eligible for Government co-contributions?

No, spouse contributions are not personal contributions made by the member

If you would like further information please do not hesitate to contact me at: [sol.forman@formanfinancialservices.com.au](mailto:sol.forman@formanfinancialservices.com.au) or call on 9369 2443

### Disclaimer and Warning

The information above is of a general nature only. It should not be used as a source to make financial decisions. It's also important to note that the legislation and figures related to this topic tend to change regularly and therefore the information above may not reflect the current status. We recommend that if you are looking for advice on this matter, you should contact [us](#)

