

## **Other proposed changes to superannuation internet copy**

### ***Halving of maximum Government co-contribution***

From 1 July 2012, the Government proposes to halve the maximum Government co-contribution to 50% of a member's after tax contributions, capped at \$500 per financial year.

An eligible member with total income of \$31,920 or less will receive a \$500 co-contribution by making an after tax contribution of at least \$1,000. The maximum co-contribution payable will continue to phase out at 3.333 cents per dollar of total income above \$31,920. This means that from 1 July 2012, the co-contribution will reduce to nil once total income reaches \$46,920.

### **Concessional contribution cap – indexation paused**

The Government proposes to pause indexation of the concessional contributions cap during 2013-14 to ensure that it remains at \$25,000 during that financial year.

Indexation will resume in 2014-15, when the Government expects that the concessional cap will rise to \$30,000.

This pause in indexation will also mean that the non-concessional contributions cap and the proposed higher concessional contributions cap for those aged 50 or over (still proposed only) will not increase in 2013-14.

### **Proposes Tax changes**

#### **Deferral of 50% tax discount for interest income**

The Government has announced it will further defer the introduction of the 50% tax discount on interest income earned by individuals until 1 July 2013. The measure, which was first announced in the 2010 Federal Budget, had a commencement date of 1 July 2011 but this was later deferred until 1 July 2012.

The original announcement proposed to provide a 50% tax discount on up to \$1,000 of interest income earned by individuals, but this had subsequently been reduced to \$500 for the first year before reverting to \$1,000 per year for each subsequent year.

#### **Standard deduction for work related expenses**

The Government has announced that it will also defer the introduction of a standard tax deduction for work-related expenses and the cost of managing tax affairs by 12 months until 1 July 2013.

The measure, which was also first announced in the 2010 Federal Budget, originally proposed to give people a standard deduction for work and tax management related expenses of \$500 in 2012-13 and then \$1,000 from 2013-14 onwards.

#### **Dependent spouse tax offset phase out**

The Government has announced it will phase-out the dependent spouse tax offset for taxpayers with a dependent spouse born on or after 1 July 1952, from 1 July 2012.

This measure extends the announcement in the 2011-12 Federal Budget to phase-out the dependent spouse tax offset for taxpayers with a dependent spouse born on or after 1 July 1971.