

Government co-contributions

“Let the Government boost your super savings”

The strategy in a nutshell: if you make a personal contribution to your superannuation account any time before the end of the financial year, the Government will match your contributions on a three-for-two basis by up to \$1,500. Using this strategy you can generate a 150%, tax-free return on your investment within one year. In addition, this money is invested within super, which is a concessional tax vehicle.

The co-contribution scheme is a government initiative that helps low to middle income earners save for their retirement.

If you make non-concessional contributions under this scheme, you may also qualify for an additional contribution directly from the Government. These additional contributions are called co-contributions and will form part of the tax free component in the recipient's super account.

What's more, there's no need to claim the co-contribution. Provided you qualify and submit a tax return for the tax year ending 30 June, the Government will automatically forward the co-contribution amount to your super fund.

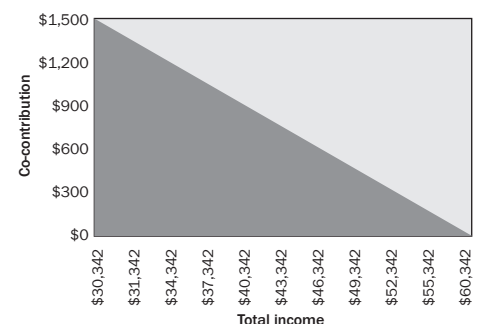
However, remember that you can't access personal contributions or Government co-contributions until you're eligible to access your super.

The strategy

Personal contributions can be made any time before the end of the financial year. The Government will match on a three-for-two basis any eligible contributions you make to your super fund. The maximum co-contribution amount available is \$1,500 which is based on a personal contribution of \$1,000 for those with a total income of \$30,342 or less.

While still matching your personal contribution on a three-for-two basis, the Government's maximum co-contribution will reduce by 5c for every \$1 of total income above \$30,342. No co-contribution will be made once your total income reaches \$60,342. This is illustrated in the diagram.

Maximum co-contribution entitlement



For the purposes of determining eligibility under these income thresholds, total income is comprised of assessable income (ie before deductions) and the value of reportable fringe benefits (which will appear on the PAYG Summary Statement issued by your employer).

Who qualifies for Government co-contributions?

You must satisfy all of the following criteria to qualify for Government co-contributions.

- You make personal superannuation contributions to a complying super fund or a retirement savings account (RSA).
- Your total income (assessable income plus reportable fringe benefits) is less than \$60,342.
- 10% or more of your total income is from employment activities (including self-employment).
- You do not hold an eligible temporary resident visa at any time during the year.
- You lodge an income tax return for the year of income.
- You are less than 71 years old at 30 June.

Calculating the maximum co-contribution

Use the table to determine your maximum co-contribution based on income. Where the total income at (C) is \$30,342 or less, the maximum co-contribution entitlement will be \$1,500.

If you qualify, you should consider making personal contributions that will qualify you for the maximum co-contribution amount.

Calculating your maximum co-contribution

A. Your assessable income for 2008-09

B. Your reportable fringe benefits for 2008-09

C. Total income (A + B)

D. C minus \$30,342

E. Multiply D by 0.05

F. Deduct E from \$1,500

This is the maximum amount of Government co-contribution to which you are entitled.

Multiply F by 2/3

This is the amount you must contribute to receive your maximum entitlement.

Case study

John is 45 and received \$40,000 salary and reportable fringe benefits valued at \$3,000 for the 2008-09 income year. As a result his total income is \$43,000 (100% from eligible employment) so he satisfies the 10% rule for Government co-contribution purposes.

John has a maximum co-contribution entitlement of \$867 calculated using the table. In order to receive this amount from the Government he must make a personal contribution of \$578.

A. Your assessable income for 2008-09	\$40,000
B. Your reportable fringe benefits for 2008-09	\$3,000
C. Total income (A + B)	\$43,000
D. C minus \$30,342	\$43,000 - \$30,342 = \$12,658
E. Multiply D by 0.05	\$12,658 x 0.05 = \$633
F. Deduct E from \$1,500	\$1,500 - \$633 = \$867
This is the maximum amount of Government co-contribution to which John is entitled.	\$867
Multiply F by 2/3	\$867 x 2/3 = \$578
This is the amount John must contribute to receive this maximum entitlement.	\$578

Important information

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