



News Bulletin

Federal Government

Mid-Year Economic & Fiscal Outlook

29 November 2011

The Government has released its Mid-year Economic and Fiscal Outlook (MYEFO), projecting an increased budget deficit of \$37.1 billion in 2011/12 and a reduced surplus of \$1.5 billion in 2012/13.

MYEFO includes a range of superannuation measures previously announced as part of the Government's Clean Energy Future and Mineral Resource Rent Tax proposals. However, a number of additional superannuation and tax measures have now been proposed:

Account based pensions – minimum payments reduced for 2012/13

Due to continued volatility in equity markets, the Government proposes to continue with the temporary 25% reduction of the required minimum payments from account based pensions for the 2012/13 financial year.

Minimum payments were halved for the 2008/09, 2009/10 and 2010/11 financial years, and reduced by 25% during 2011/12.

Age at start of financial year	Minimum payment percentage for 2012/13 financial year	Minimum payment percentage for 2013/14 and future financial years
Under 65	3.00%	4.00%
65 to 74	3.75%	5.00%
75 to 79	4.50%	6.00%
80 to 84	5.25%	7.00%
85 to 89	6.75%	9.00%
90 to 94	8.25%	11.00%
95 or over	10.50%	14.00%

The continued reduction in minimum payments will apply to all account based pensions, including allocated pensions and term allocated pensions.

Halving of maximum Government co-contribution

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

Eligible individuals 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 certain individuals aged 50 or over (still proposed only) will not increase in 2013/14.

Superannuation trust deed clauses and contribution caps

The Government has become aware of situations where some superannuation funds may include a clause in their trust deeds that treats a contribution made to the fund as not having been received if it would lead to a breach of one of the member's contribution caps.

The Government proposes changes that, regardless of any clauses in a fund's trust deed, would deem the fund to have accepted such contributions where the contribution has not been returned promptly and has intermingled with assets of the fund.

The reforms are proposed to apply from 1 July 2012.

If you would like to discuss any of the Government's MYEFO proposals, or any other aspect of your financial situation, contact Finovia in Melbourne on 03 9834 5000 or Perth on 08 9488 0200.

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