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Superannuation

Tax Deductions for Superannuation Contributions

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Employers

In order to be eligible for an income tax deduction in their 2011 income tax returns, employers must ensure that superannuation contributions are paid to the trustees of the relevant funds by 30 June 2011. The Australian Taxation Office stipulates that cheques should be received by the trustees by 30 June and presented on the employer's bank statement within a few days after balance date.

Superannuation Guarantee contributions for the quarter ended 30 June 2011 are due by **28 July 2011** in order to comply with 2011 requirements.

Individuals

In order for individual taxpayers to be eligible for an income tax deduction for superannuation contributions, any salary and wages component of their taxable income must be 10% or less of their **Adjusted Taxable Income**.

If the taxpayer is under 50 years of age, the maximum concessional contribution is \$25,000. For taxpayers 50 and over, the maximum concessional amount is \$50,000. Concessional contributions consist of superannuation guarantee and salary sacrificed amounts plus personal contributions for which a tax deduction is claimed.

Co Contribution

Where taxpayers make non concessional contributions to a superannuation fund, they may be eligible to receive the government's co contribution. The maximum co contribution is \$1,000 where the taxpayer's income is \$31,920 or less. Between \$31,921 and \$61,920 the entitlement is prorated.

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Reportable Employee Superannuation Contributions

Effective since 1 July 2009, reportable superannuation contributions must be disclosed on an Employee's PAYG Summary, in the relevant space provided.

In simple terminology, reportable contributions include any amounts paid in excess of:-

- 1) compulsory superannuation amounts and
- 2) contributions made pursuant to a collectively negotiated industrial agreement where the employee has a capacity to influence the size of the contribution.

Accordingly, reportable superannuation contributions include salary sacrifice amounts and any additional contributions made on behalf of an employee due to say, a salary package arrangement.

While reportable superannuation contributions do not form part of an employee's assessable income for income tax purposes, they are included in the calculation of Adjusted Taxable Income. Accordingly, they are used in determining a taxpayer's liability to Medicare levy surcharge, eligibility to tax offsets such as Senior Australian tax offset and Mature Age Workers tax offset, eligibility to claim personal superannuation contributions and repayment obligations regarding Higher Education Loans. Reportable superannuation contributions may also affect an employee's entitlement to a range of government entitlements, such as Family Tax Benefit

It is important to note, that where employees are not at arm's length but associated with the employer, and additional contributions are made to a superannuation fund, these additional contributions may need to be disclosed on annual PAYG Summaries, particularly where there are also arm's length employees for whom no additional contributions are made.

In respect of the 2010 year, we noted that many employers did not include reportable superannuation contributions on the PAYG Summaries issued to employees. Accordingly, we recommend that care be taken in the preparation of 2011 PAYG summaries. If you are unsure, please contact our office with any questions prior to completion and issue to employees.