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Accounting|Financial Planning

End of year looms for superannuation tax planning

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With the end of the financial year looming, now is a good time to be thinking about your end of year superannuation strategies. It may also help you to avoid some common traps and tax penalties.

Off-market transfers

Of particular interest this year is the Government's proposed banning of off-market transfers which is due to take effect from 1 July 2013. This means this will be the last financial year during which SMSF members will be able to transfer a listed share they, or a related party, owns into their SMSF by way of an 'off market' transfer.

Transfers done after 30 June 2013 will need to be done 'on-market' which may mean brokerage and other costs are incurred. Therefore, if you have been contemplating making an off-market transfer of listed securities you or a related party owns into your SMSF, it may pay to act before the end of the financial year. However, if you are transferring the shares as an in specie (non-cash) contribution, be careful not to exceed your contribution caps and ensure the acquisition of the listed securities is consistent with your fund's investment strategy. You should also ensure your off-market transfer form is forwarded to the relevant share registry well before 30 June so the transaction can be completed prior to the completion of the financial year.

Reduced concessional contributions cap

The reduction in the concessional contribution for individuals over 50 to $25,000, which took effect from 1 July 2012, may mean you need to take action before the end of the financial year to make sure the cap is not exceeded so you won't incur excess contributions tax.

Government co-contribution

Take advantage of the Government co-contribution by making a non-concessional (after tax) super contribution before the end of the financial year. For every dollar of eligible contributions, the Government contributes 50 cents to your superannuation up to a maximum government co-contribution of $500. For 2012/13, the maximum government co-contribution is payable for individuals on incomes at or below $31,920 and reduces by 3.33 cents for each dollar above this, cutting out completely once an individual's total income for the year exceeds $46,920.

Claiming a tax deduction for your personal superannuation contributions

If you are intending to claim a tax deduction for your superannuation contributions make sure you are eligible to claim the tax deduction and pro-actively seek advice if unsure. Also ensure you keep all relevant paperwork to save stress when it is time to claim a benefit or a deduction.

Beware of excess contributions tax

Investors who want to make large superannuation contributions should exercise extreme care regarding the amount and type of contribution they make to avoid excess contributions penalties. For example, any type of contribution made during the two preceding financial years may impact on the contributions that can be made this financial year.

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For members in the pension phase, ensure that you have received the required minimum pension amount by 30 June otherwise the investment income derived from the assets supporting that pension may no longer be exempt from tax.

For SMSF members in the accumulation phase, fund deductions are usually not significant, but it's important to ensure expenses are actually incurred or paid before 30 June in order to be deductible in that year.

How can we help?

If you need assistance with any aspect of your end of year superannuation tax planning, please feel free to give us a call to arrange a time to meet so that we can discuss your particular requirements in more detail.

Contact us

For further clarification on the above or for information on how we can help you, please contact us:

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