

Government Co-contributions

Let the Government boost your savings

The strategy in a nutshell

If your salary is less than a specified amount, and you make personal contributions to your superannuation account any time before the end of the financial year, the Government will match your non-concessional contributions on a one-to-one basis by up to \$1,000

Using this strategy you can generate a 100%, 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 direct 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.

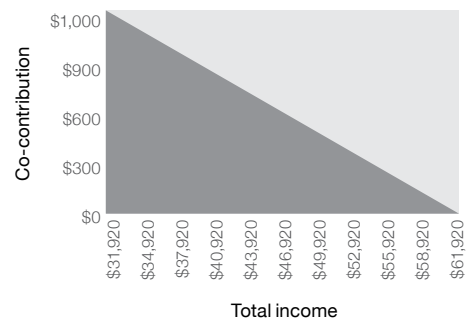
What's more, there's no need to claim the co-contribution. Provided you qualify and submit a tax return for the tax year ending 30 June, the Government will automatically forward the co-contribution amount to your super fund. However, remember that you can't access personal contributions or Government 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 one-to-one basis any eligible contributions you make to your super fund. The maximum co-contribution amount available is \$1,000 which is based on a personal contribution of \$1,000 for those with a total income of \$31,920 or less. While still matching your personal contribution on a one-to-one basis, the Government's maximum co-contribution will reduce by 5c for every \$1 of total income above \$31,920.

No co-contribution will be made once your total income reaches \$61,920. This is illustrated in the following 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) plus the value of reportable fringe benefits and reportable employer super contributions (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 and reportable employer super contributions) is less than \$61,920
- 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; and
- you are less than 71 years old at 30 June 2011.

CALCULATING THE MAXIMUM CO-CONTRIBUTION

Use the table to determine your maximum co-contribution based on income. Where the total income at (D) is \$31,920 or less, the maximum co-contribution entitlement will be \$1,000.

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 2010-11

B. Your reportable fringe benefits for 2010-11

C. Your reportable employer super contribution less related business expenses

D. Total income (A + B + C)

E. D minus \$31,920

F. Multiply E by 0.0333

G. Deduct F from \$1,000

This is the maximum amount of Government co-contribution to which you are entitled, and must contribute to receive your maximum entitlement.

CASE STUDY

John is 45 and received \$40,000 salary and reportable fringe benefits valued at \$1,000 for the 2010–11 income year. John's employer contributes \$2,000 in reportable employer super contributions. 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 \$631 calculated using the table. In order to receive this amount from the Government he must make a personal contribution of at least \$631.

A. Your assessable income for 2010–11	\$40,000
B. Your reportable fringe benefits for 2010–11	\$1,000
C. Your reportable employer super contributions	\$2,000
D. Total income (A + B + C)	\$43,000
E. D minus \$31,920: \$43,000 - \$31,920	\$11,080
F. Multiply E by 0.03333: \$11,080 × 0.03333	\$369
G. Deduct F from \$1,000: \$1,000 - \$369	\$631

\$631 is the maximum amount of Government co-contribution to which John is entitled. Therefore John must co-contribute \$631 as a personal (non-concessional) contribution to receive his maximum entitlement.