# Superannuation healthy
## despite Budget setbacks

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Super remains the centrepiece of our national savings policy notwithstanding some tinkering.

The Federal Government has delivered on its promise to get the Budget back into surplus in 2012/13, but to achieve this result some had to pay, including superannuants.

Business was among the hardest hit with the decision to scrap the promised cut in the corporate tax rate. Big cuts to spending in areas such as defence, foreign aid and the public service also helped bring the Budget back into the black from the pump-priming years that followed the global financial crisis.

Unfortunately, superannuation savers were in the Federal Government's sights, with two key changes that will save the Government $780 million in 2012-13 and $2,406 million over the next four years.

For those approaching retirement, an unwelcome decision was made to defer by two years the doubling of the concessional contributions cap for individuals aged over 50 with superannuation account balances of less than $500,000.

Individuals in this group had previously in the 2010 Budget been promised an increase in the annual concessional contributions limit from $25,000 to $50,000, effective 1 July 2012. However, the introduction date has now been deferred for two years, which is a setback for workers who wanted to turbocharge their superannuation savings in the countdown to retirement. The deferral means that effective 1 July 2012, the $25,000 limit on concessional contributions to super will apply to all, regardless of age or account balance.

The substantial impact of the change is indicated by the large savings the deferral will create for the Budget — $580 million in 2012-13 and $1,460 million over the next four years.

Another change for super in this year's Budget affects those on incomes over $300,000 a year. The tax on superannuation contributions for individuals in this group has been increased from 15 per cent to 30 per cent effective 1 July 2012.

The Government argues these very high income earners, who are taxed at a marginal rate of 45 per cent, were enjoying a disproportionately high tax concession on their super contributions, compared to lower income earners. The new rate for high income earners reduces their tax break on super contributions from 30 per cent to 15 per cent (i.e. their 45 per cent marginal rate minus the 30 per cent super contributions tax). This brings their tax break into line with that enjoyed by wage earners in the $37,000 to $80,000 annual income bracket, who are on a 32.5 per cent marginal tax rate.

While this year's budget contained some disappointments for super, there's no doubt the Government continues to see superannuation as the centrepiece of national saving policy.

The Government re-stated its commitment to super when it decided to increase the Superannuation Guarantee, passing law in March 2012. The first increase (from 9 per cent to 9.25 per cent) takes effect on 1 July 2013.

It's also noteworthy that the low-income superannuation contributions rebate, which effectively refunds the 15 per cent tax on contributions up to a maximum of $500 by those earning up to $37,000 a year, survived the cost-slashing of the 2012 Budget.

There was also some reinforcement of super as a preferred savings vehicle with the decision to scrap plans for a 50 per cent tax discount on interest earned on the first $1,000 of interest income from bank deposits. This concession had been keenly sought by the banking industry to help it compete with superannuation funds in the increasingly fierce battle for Australians' savings.

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