

# understanding the superannuation co-contribution

The superannuation co-contribution is a Commonwealth Government initiative designed to encourage low income earners save for retirement. If you are eligible and make a personal contribution to superannuation, the Government will contribute an additional amount to your superannuation account.

The Government contributes \$1.00 for every \$1.00 of personal contributions made to superannuation (up to a maximum of \$1,000 per year) if your total income (including reportable fringe benefits) is less than \$31,920\*. The superannuation co-contribution progressively reduces for incomes over this amount and phases out at \$61,920\*.

## WHO IS ELIGIBLE?

To receive the superannuation co-contribution you must:

- Make a non-concessional contribution to a complying superannuation fund or retirement savings account (not including employer superannuation guarantee contributions or salary sacrifice),
- Earn a total income of less than \$61,920\*,
- 10% or more of your income is attributable to either or both of the following:
  - Carrying on a business
  - Engaging in activities that result in you being treated as an employee for the purpose of the superannuation guarantee.
- Be less than 71 years old at the end of the financial year,
- Not hold a temporary resident visa at any time during the financial year, and
- Lodge an income tax return for the relevant financial year.
- You do not claim a tax deduction for the contribution.

## AM I ELIGIBLE IF I AM SELF EMPLOYED?

Changes were introduced in the 2006/07 federal budget to extend the Government Co-Contribution scheme to the self employed. If you earn 10% or more of your total income from carrying on a business, you will be eligible to receive the Government co-contribution provided that you meet all of the remaining criteria.

## HOW DO I APPLY FOR THE CO-CONTRIBUTION?

You do not need to apply for the superannuation co-contribution. If you are eligible and make a personal superannuation contribution, you simply need to lodge your tax return. The tax office will use the information on your income tax return and contribution information from your superannuation fund to work out your eligibility and co-contribution amount.

The superannuation co-contribution will generally be paid to the same superannuation account in which your personal contributions were made. If you wish to have the superannuation co-contribution paid to another superannuation fund, you can complete a 'Superannuation Fund Nomination Form' available from the ATO.

If you have closed your superannuation fund during the year and have not informed the ATO, the ATO will write to you (after the co-contribution has been returned by your previous superannuation fund) requesting details of your new superannuation account.

## HOW MUCH CO-CONTRIBUTION CAN I RECEIVE?

The maximum superannuation co-contribution is \$1,000 if you earn less than \$31,920\*. The maximum co-contribution amount is progressively reduced for income earned over this amount and cuts off once your total income (assessable income plus reportable fringe benefits) reaches \$61,920\*.

If you earn less than \$31,920, for every \$1.00 contributed up to \$1,000, the Government will match it with a \$1.00

co-contribution to your superannuation account up to \$1,000. For income between \$31,920 and \$61,920, the maximum co-contribution of \$1,000 is reduced by 3.33 cents per dollar that you earn over \$31,920.

Table 1 (over) shows how much superannuation co-contribution you will receive for different contribution amounts at various income levels.

Table 2 (over) shows the maximum co-contribution payable for various income levels and how much you need to contribute to receive the maximum amount.

## WHEN WILL THE CO-CONTRIBUTION BE PAID?

Your superannuation co-contribution is generally paid within 60 days after the ATO receives all the necessary information. This normally includes:

- Your income tax return,
- Lodgement of your member contributions by your superannuation fund, and
- Any further information the ATO may require.

Most superannuation funds generally report the member contributions you make during the financial year to the ATO by 31 October. It may take an additional 60 days after this date before your superannuation co-contribution is paid to your account.



This article by Frank Camilleri (above), National Technical Manager.

\* Applicable for the 2010/11 Financial Year.

## WILL MY CO-CONTRIBUTION BE TAXED?

The superannuation co-contribution is treated as a non-concessional contribution and will not be taxed when received by your superannuation fund. This amount is also tax free when withdrawn once you are able to access your superannuation capital.

### CASE STUDY

Jack is an employee and earns an annual salary of \$38,920 with reportable fringe benefits of \$1,000 for the current financial year. During this period, Jack made personal superannuation contributions of \$500 on top of his employer contributions.

As Jack's total income including reportable fringe benefits for the year was \$39,920, the maximum superannuation co-contribution he is entitled to is \$733.

During the year, he made personal contributions of \$500 for which the Government will match with a co-contribution of up to 100% (ie. \$500). As the Government co-contribution amount of \$500 is within Jack's maximum co-contribution entitlement, he will receive the full co-contribution amount of \$500.

If Jack wanted to receive his maximum co-contribution entitlement of \$733, he would have needed to contribute \$733 during the financial year. If Jack made contributions in excess of \$733, he would still only be entitled to his maximum co-contribution amount of \$733.

Table 1: Super Co-Contribution Sliding Scale

Your Income	Your Personal Super Contribution			
	\$1,000	\$800	\$500	\$200
	You Receive Co-Contribution of:			
\$31,920 or less	\$1,000	\$800	\$500	\$200
\$33,920	\$933	\$800	\$500	\$200
\$35,920	\$867	\$800	\$500	\$200
\$37,920	\$800	\$800	\$500	\$200
\$39,920	\$733	\$733	\$500	\$200
\$41,920	\$667	\$667	\$500	\$200
\$43,920	\$600	\$600	\$500	\$200
\$45,920	\$533	\$533	\$500	\$200
\$47,920	\$467	\$467	\$467	\$200
\$49,920	\$400	\$400	\$400	\$200
\$51,920	\$333	\$333	\$333	\$200
\$53,920	\$267	\$267	\$267	\$200
\$55,920	\$200	\$200	\$200	\$200
\$57,920	\$133	\$133	\$133	\$133
\$59,920	\$67	\$67	\$67	\$67
\$61,920 or more	\$0	\$0	\$0	\$0

Table 2: Maximum Co-Contribution Entitlement

Your Income	Maximum Co-Contribution	Personal Contribution Required
\$31,920 or less	\$1,000	\$1,000
\$33,920	\$933	\$933
\$35,920	\$867	\$867
\$37,920	\$800	\$800
\$39,920	\$733	\$733
\$41,920	\$667	\$667
\$43,920	\$600	\$600
\$45,920	\$533	\$533
\$47,920	\$467	\$467
\$49,920	\$400	\$400
\$51,920	\$333	\$333
\$53,920	\$267	\$267
\$55,920	\$200	\$200
\$57,920	\$133	\$133
\$59,920	\$67	\$67
\$61,920 or more	\$0	\$0



## Shadforth Financial Group

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