

“DOUBLE DIPPING” SUPER STRATEGIES

An opportunity exists for superannuation fund members to utilize a “double dipping” strategy that effectively allows members to duplicate their deductible contribution limits – but only up until 30 June 2007, from when new legislation will operate.

The existing age based limits are as follows for the 2007 financial year:

Under 35	\$15,260
35 to 49	\$42,385
50 to 70	\$105,113

From 1 July 2007 new superannuation laws will limit the tax deductible contribution that can be made on behalf of a member to \$50,000 per annum. For those over 50, this amount will be a transitional limit of \$100,000 until 2012.

Under a present law (Sec 82AAT) the existing limit may effectively be doubled for those who have assessable income (including reportable fringe benefits) from employment that is less than 10% of their total assessable income for the year ending 30 June 2007. In this situation, the employer can make contributions up to the above limits, and the member can also claim a personal deduction up to the same limit, although the tax deduction is calculated by claiming the first \$5,000 plus 75% of the excess of the contribution above this amount.

For those who run their own business through a company or trust, the above situation may be available with some careful planning.

If you are approaching retirement age, it may be advantageous for your Company to borrow to finance its contribution, as the tax benefits may outweigh the interest cost given that it will not be that long before you can access the Fund benefits tax free on retirement (if over 60).

Interest on borrowings by the employer to fund its contributions will be deductible, however we note that no tax deduction is available for interest incurred on borrowings made to finance a personal superannuation contribution.

We note that the contributions are not required to be made in the form of cash. Listed shares and commercial property held by either your business entity or yourself may also be transferred to your Fund “in specie” as deductible contributions. You should consider capital gains tax and possible stamp duty imposition consequences before undertaking such a transfer but we note there are often strategies to avoid these costs.

Please do not hesitate to contact our office if you wish to discuss any of the above strategies.