

# New rules for a new tax year

If you contribute money to super, receive super co-contributions from the government or work overseas, you'll be affected in one way or another by changes introduced by the government for the 2009/10 tax year.

## Tax changes for overseas income

This change affects Australians working overseas in countries where the tax rate is significantly lower than Australia. For example, the foreign tax rate applicable in Hong Kong can be as little as 16%.

Under the new rules, if you're working overseas on a contract of longer than 91 days and you're an Australian resident for tax purposes, subject to certain exemptions you'll now pay tax in Australia on that employment income. Previously that income would have been exempt from Australian tax.

### Case study

Mark is an Australian resident for taxation purposes. He's employed by an international accounting firm as a financial controller, earning \$250,000 pa and is regularly sent overseas to work on projects, often on a six-month basis. He is due to be posted to Singapore for four months in August 2009 to work on a new project.

Previously, wages derived from his overseas employment for a continuous period of at least 91 days were exempt from Australian tax, provided that income had been taxed in Singapore.

From 1 July 2009, the tax exemption is not available. Mark's overseas employment income will be taxed at his marginal tax rate in Australia, which is 46.5%. However, he will be entitled to a tax offset for any tax paid in Singapore.

## Government co-contributions

Up until this year and depending on your income, the government contributed \$1.50 for each after-tax dollar you

contributed to super (to a maximum of \$1,500). As the table shows, the government has reduced the amount of co-contribution it will pay until the 2014/15 tax year.

Year	2009/10 to 2011/12	2012/13 and 2013/14	2014/15 onwards
Co-contribution	\$1 for each \$1 you contribute	\$1.25 for each \$1 you contribute	\$1.50 for each \$1 you contribute
Maximum co-contribution	\$1,000	\$1,250	\$1,500

Voluntary salary sacrifice contributions will now be included as part of your total income when assessing your eligibility for a government co-contribution, which may affect your eligibility.

### Case study

Lisa is 35 and on a salary of \$50,000. She salary sacrifices \$10,000 to her super fund and wants to make an after-tax contribution so that she will qualify for the government co-contribution.

In 2008/09, Lisa was entitled to a maximum co-contribution of \$1,017 (based on a qualifying income level of \$40,000 and a personal after-tax contribution of \$678).

In 2009/10 her qualifying income level has increased to \$50,000 because the \$10,000 she salary sacrifices now counts as her total income. The maximum co-contribution she would be entitled to is \$397 and she would need to make an after-tax contribution of at least \$397 to receive it.

## Concessional super contributions

The amount of concessional contributions has been reduced to \$25,000 for people under 50 and \$50,000 for people 50 and over.

This will affect you if the contributions you make exceed these amounts. It pays to keep a close eye on your contribution levels.

### Case study

Graham is 40 years old. In 2008/09 his employer contributed \$10,000 to his super and on top of this, Graham salary sacrificed an additional \$20,000.

In 2009/10 Graham's employer will again contribute \$10,000. If Graham continues to salary sacrifice \$20,000 his total contributions of \$30,000 will exceed the new reduced limit of \$25,000. This means Graham will have to pay additional tax of 31.5% on the excess \$5,000 contributions on top of the standard 15% tax already payable on these contributions.