

The Government Super Co-contribution

The Government has introduced a system whereby they match personal superannuation contributions with a “co-contribution” up to certain limits.. The government will match your personal contribution with \$1.50 for every dollar of personal contributions, up to a maximum of \$1,500. The maximum co-contribution will be \$1,500 where your assessable income and reportable fringe benefits is less than \$28,000. The co-contribution will then be reduced where it will cut out completely when your assessable income (plus reportable fringe benefits) exceeds \$58,000.

To be eligible for the co-contribution, employed people (amongst other things) must have made personal undeducted contributions to super. Personal super contributions are the amounts you choose to contribute to your superannuation fund from your after tax income. This is in addition to any employer contributions and any contributions made through a salary sacrifice arrangement.

To be eligible for the Government co-contribution you need to meet certain requirements. In general, you need to:

- Earn less than \$58,000 a year before tax (individual income, not household income);
- Make personal superannuation contributions to a complying superannuation fund or RSA;
- Be under 71 years of age;
- Lodge an income tax return in the year the contribution is made;
- Not be or have been an “eligible temporary resident” at any time during the income year; and
- Have 10% or more of your total income from eligible employment*

** Eligible employment generally means anything resulting in you being treated as an employee*

The Government co-contribution started on 1 July 2003 (or in respect of the 2003/04 financial year) and replaces the tax offset for personal super contributions. It is important to note that the first payments of co-contributions will not be made until the next or a later financial year.

The tax office will send you a letter with details of your super co-contribution amount after it has been deposited into your super account..

How does it work?

When you earn more than \$28,000 but less than \$58,000 a year, your Super Co-contribution will be adjusted based on your income and how much you personally contribute. For example, if you earn \$32,000 a year and make personal super contribution of \$800 during that year, you will be entitled to a Super Co-contribution of \$1,200.

*Note: This is the maximum amount the Government will match on this salary level. For earnings between \$28,000 and \$58,000, the \$1,500 maximum co-contribution is reduced by 5 cents for every dollar earned over \$28,000, cutting out at \$58,000. For example if you were to contribute \$1,000 you would still only receive \$1,200 from the Government.

How much can you receive?

And your income is:	If your personal super contribution is:			
	\$1,000	\$800	\$500	\$200
Your Super Co-contribution will be:				
\$28,000 or less	\$1,500	\$1,200	\$750	\$300
\$30,000	\$1,400	\$1,200	\$750	\$300
\$32,000	\$1,300	\$1,200	\$750	\$300
\$34,000	\$1,200	\$1,200	\$750	\$300
\$36,000	\$1,100	\$1,100	\$750	\$300
\$38,000	\$1,000	\$1,000	\$750	\$300
\$40,000	\$900	\$900	\$750	\$300
\$42,000	\$800	\$800	\$750	\$300
\$44,000	\$700	\$700	\$700	\$300
\$46,000	\$600	\$600	\$600	\$300
\$48,000	\$500	\$500	\$500	\$300
\$50,000	\$400	\$400	\$400	\$300
\$52,000	\$300	\$300	\$300	\$300
\$54,000	\$200	\$200	\$200	\$200
\$56,000	\$100	\$100	\$100	\$100
\$58,000	\$0	\$0	\$0	\$0

Tax treatment

The co-contribution itself will not be subject to contributions tax in the hands of your super fund or Retirement Savings Account and is not subject to the surcharge. Once in the super fund, the co-contribution will be treated in the same way as undeducted contributions and will be tax-free when paid out as a lump sum or help to increase the tax-free amount if benefits are taken as a pension.

Claiming co-contributions

You do not need to apply for the Super co-contribution. If you are eligible, all you need to do is make a personal super contribution to your superannuation fund or RSA and lodge an income tax return. The tax office will use the information from your superannuation fund to work out whether you are eligible. If you are, the tax office will automatically calculate the super co-contribution amount and deposit it straight into your super account.

Not all funds will accept co-contributions. You should check with your super fund or RSA to ascertain whether they are able to accommodate the Government's contribution.

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