

ATO targets salary sacrifice superannuation contributions



Patrick Stafford Wednesday 23 September 2009

Tax payers who are likely to breach the new limits on salary-sacrificed superannuation contributions are being targeted by the Australian Tax Office, with 300,000 of the most likely offenders to be sent warning letters.

Meanwhile, industry experts are also warning taxpayers to become familiar with the new contribution caps, or risk having their contributions taxed at a massive 46.5%.

In an email to tax agents, the ATO said it will be sending the letters to taxpayers over the next two months to "help them make an informed decision about how much they will contribute to super in the financial year".

Another batch of letters may also go out informing tax payers they may have to pay tax on excess contributions, while any complaints or objections must only be made after a formal tax notice of assessment has been sent out.

The changes, which were announced in the May budget and took effect from 1 July, affect the amount of savings that people can contribute into superannuation funds on top of compulsory payments from an employer.

Those aged under 50 can only contribute \$25,000 at the 15% tax rate, a decline from \$50,000 before 1 July.

People aged over 50 are limited to contributing just \$50,000 for the 2009-10, 2010-11 and 2011-12 financial years, half the limit allowed before the 1 July changes.

The changes were flagged by the ATO well in advance of the 1 July date, with commissioner Michael D'Ascenzo warning taxpayers should be well aware of the differences or face paying high tax rates.

"It is important to remember that contribution caps apply and contributions that exceed these caps will be taxed at a higher rate than many expect... excess concessional contributions are taxed at 31.5% and excess non-concessional contributions are taxed higher again at 46.5%."

Mark Morris, senior tax counsel at CPA Australia, says tax payers need to get on the ball and familiarise themselves with the new contribution laws.

"I think it would be highly prudent for people to get some advice regarding these regulations. These have been foreshadowed for quite some time, and I do think people need to go away and revisit the viability of their own salary sacrificing efforts, in terms of how much they are putting in."

Matthew Field, director of Enterprise Advisors, warns failure to comply with new tax laws will result in disappointment over lost funds.

"The consequences of breaching these limits are quite far ranging, and your super fund can be taxed at quite a higher rate than usual."

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