



CHANGES TO SUPERANNUATION GUARANTEE

From 1 July 2008, the definition of ordinary time earnings will apply to all employer contributions in the calculation of the 9% contribution level.

Ordinary time earnings

Ordinary time earnings (OTE) are generally defined as what an employee earns for ordinary hours of work including base salary, commissions and performance bonuses.

It excludes things which do not have a link to ordinary hours of work such as overtime.

Most employees have OTE as their earnings base for the purpose of calculating superannuation contributions.

However, some employees have other earnings bases that may be contained in:

- an industrial award;
- an existing agreement they have with their employer;
- a fund's trust deed; or
- Commonwealth, State or Territory law.

These generally have a lower base on which employers paid superannuation. Common industries include mining, construction and motor vehicle.

From 1 July 2008, the earnings base is standardised to OTE for all employees.

As a result, all employers are required to use a notional earnings base which is at least equivalent to OTE.

If you are currently using a different earnings base which would result in paying super guarantee of less than 9% of OTE, you will need to increase this amount to meet the minimum requirements and avoid the super guarantee charge.

Actions required

- Review the earnings base for all employees to ensure that you are calculating their contributions based on OTE.
- Update payroll systems to reflect changes from 1 July 2008.
- Inform your employees of possible changes to their superannuation contributions.

Super Guarantee: employer default fund transition period ends 30 June 2008

We remind employers from 1 July 2008, employer-nominated superannuation funds (also known as “default funds”) must offer minimum levels of life insurance death cover to members.

The 3-year transition period under which employer default funds (in place before 1 July 2005) are not required to meet the minimum insurance requirements ends on 30 June 2008. From 1 July 2008, employers will need to check that their employer-nominated super fund is a complying fund and offers the minimum insurance cover to satisfy the choice of fund requirements. However, the minimum insurance requirements for default funds do not apply if one of the exceptions apply (eg where the employer is making contributions under a Federal award).

If an employer makes super contributions in respect of an employee that do not comply with the choice of fund rules, the employer’s quarterly super guarantee shortfall payable to the Tax Office may be increased by 25%.

SMSF’S UNDER THE SPOT LIGHT

Assets held within SMSF’s have hit the \$330 billion mark and continue to grow. The lure of tax-free income post age 60 combined with the ability to control investments will power these vehicles for years to come.

The 2007/2008 financial year saw SMSF’s reach \$300 billion boosted with large \$1M contributions made pre-July 2007. It also saw us play catch up as we all digested the 1,000 pages of new laws, regulations and the ATO Commissioner guidelines that came along with the Simpler Super rules.

The 2008/2009 financial year ushers in a time of “growth and consolidation” for SMSF advisers. For the first time ever we expect assets residing in SMSF’s to top the \$400 billion mark with average fund size of \$1M – another 20% increase in asset growth.

We will also see the Commissioner’s forces more visible in the field regulating SMSF’s with a much tighter rein - particularly now that lump sums and incomes taken post age 60 are tax free.

The Minister for Superannuation – Nick Sherry delivered a speech to the Australian Institute of Actuaries on 19 May discussing superannuation, specifically identifying SMSF’s as a concern.

Senator Sherry comments;

“...with the introduction of the Super Safety arrangements under the previous government how it *extensively upgraded trustee duties, responsibilities, and education*...these changes were not applied to the SMSF sector. There is a need to ensure that *SMSF’s are subject to a strong governance system*...”

“... It is critical that Trustees have the knowledge to undertake their duties and responsibilities in accordance with current law...”

“... It is important that financial advisers who recommend an SMSF provide effective disclosure, to ensure that people who wish to establish an SMSF are familiar with details such as the financial and time burdens, and the amount of money they will need in the fund to make it viable...”

Senator Sherry’s speech suggests the emergence of several themes:

- SMSF’s are here to stay;
- Trustees will be required to upgrade their superannuation knowledge;
- Accountants not licenced to advise to SMSF’s may lose their current ability to advise to the SMSF industry;
- SMSF’s are a serious policy focus for Government, Treasury and the ATO.

Much will unfold in the SMSF sector over the life of this government and it is important to adapt to change and prepare you our clients for change.

NEW APPOINTMENT

It is evident that the SMSF and superannuation industry is growing.

Cooper Partners are recognised for their specialist taxation and superannuation expertise.

To ensure we continue to provide strategic, cutting edge advice in this growing area we are delighted to announce the appointment of Jemma Sanderson to our team.

Jemma joins us as a Principal with over 7 years experience and will advise in areas of;

- SMSF strategies
- Estate planning
- Business succession and funding
- Family business succession planning
- The taxation efficiency of innovative investments
- All aspects of the taxation treatment of SMSF’s
- Superannuation guarantee charge

Prior to joining Cooper Partners, Jemma worked for Lehman Brothers Australia and Goldman Sachs JB Were.

With Jemma joining our existing specialist taxation and SMSF team, Cooper Partners will cement its position as the leading advisor in SMSF's in WA.

The following are Jemma's top ten areas to consider for SMSF's in 2008/09.

Things to Look Out for!

1. The new borrowing rules.
2. Commercial SMSF borrowing packages.
3. Member/related-party financing.
4. Strategies for pre-1999 unit trusts.
5. SMSF estate planning.
6. Superannuation benefit streaming.
7. The dangers of binding nominations.
8. Creating an SMSF will.
9. Maximising tax benefits using an SMSF will.
10. How insurance can be used to back an SMSF will.

Let's all make 2008/09 a standout year – a time to stand out from the rest of the SMSF industry!

If you would like to set up an appointment with Jemma to discuss any aspect of your SMSF or succession planning be it business or family, please do not hesitate to contact her directly on 6311 6903.



Happy New Year!

July 2008 marks 3 years for Cooper Partners.

We would like to personally thank all our clients for their support over this time.

We continue to deliver strategic and specialist taxation advice in all areas of corporate taxation, private client accounting and taxation services, superannuation and business advice.

We are a team of highly experienced taxation specialists who are focused on developing strong relationships with clients, understanding your business needs.

The philosophy of our Directors is to be highly involved in advising clients. This ensures the highest standards of technical expertise coupled with a willingness to explore creative yet highly practical solutions for our clients.

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**Wishing you a Successful and Prosperous
2009 Financial New Year.**

cooper
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