

SUPERANNUATION CONTRIBUTIONS SPLITTING

The Government has brought forward the superannuation contributions splitting measure originally announced in the policy statement “A Better Superannuation System” on 5th November 2001. The super splitting regime now commences from 1st January 2006 instead of 1st July 2006.

In essence, superannuation contributions splitting allows individuals to split certain superannuation contributions to their spouse.

This way, an individual with a high accrued benefits in the superannuation fund (and therefore is likely to have excessive reasonable benefits limits (“RBL”) problem) is able to share the benefits with their spouse, by way of splitting certain superannuation contributions. This way, single income families can have access to two (2) eligible termination payments (“ETP”) low rate thresholds and two (2) RBLs.

The following superannuation contributions can be split:

- taxed contributions for the purposes of Section 274 of the *Income Tax Assessment Act, 1936* such as employer contributions;
- untaxed contributions made by a member where the contributions are not taxable such as undeducted contribution or superannuation co-contributions.

However, there are amounts which are not splittable. These include amounts that have been rolled over, employer ETP resulting from small business retirement exemption, long service leave and annual leave paid upon termination of employment, amounts rolled over to

a superannuation fund in satisfaction of an entitlement to superannuation interest under the family law provisions, to name a few.

The maximum amount of superannuation contributions that can be split for a financial year is 85% of taxed contribution and 100% for untaxed contributions.

Members of superannuation fund who wants to make an application to split an amount of taxed splittable contribution or untaxed splittable contributions made on or after 1st January 2006 should use the template/prescribed form that will be published by the Taxation Office. However, the application must be made in the financial year in which the contributions were made. In other words, if a member wishes to split taxed or untaxed splittable contributions made on 30th June 2006, the application must be made between 1st July 2006 and 30th June 2007.

Richard A Bobb Chartered Accountants welcome the bringing forward of the superannuations contributions splitting regime from 1st July 2006 to 1st January 2006. The Government is to be commended on such initiative on the ever increasing complicated superannuation regime. We believe that this change, together with the abolition of the superannuation contributions surcharge, would enable taxpayers to accumulate wealth in their superannuation funds in a tax effective manner.