



# Prime Super

## More Solutions for the Self Employed.

At Prime Super we recognise that if you are self-employed you have particular needs and questions when it comes to making decisions about saving for your retirement. We also know that if you live in regional or rural Australia you may have different needs and questions to others based in our capital cities.

If this sounds like you, then this information brochure outlines the key issues that you need to consider if you are;

- considering superannuation for the first time,
- topping up your existing investment account in Prime Super
- consolidating your benefits which are spread across more than one super fund, or
- reviewing the amount of your contribution this year based on recent changes to superannuation and tax rules.

There's never been a better time to get started and our goal is to help you answer all your questions so that you can get on with things, knowing you have your savings strategy in place.

### How much can I contribute to superannuation?

You can contribute as much as you like into superannuation. There used to be limits imposed called Reasonable Benefit Limits, but these were removed from 1 July, 2007.

However, there are tax implications based on how much you contribute to super and claim as a tax deduction, so read on to find out how this might affect you personally.

### Are you 'self employed'?

If you are self-employed you enjoy specific benefits when investing in a super fund. You will be considered to be 'self-employed' for this purpose provided you are not earning more than 10% of your total income as an employee.

If you contract your labor or hire contractors then there are other issues to consider which are explained on page 2.

### How much can I claim as a tax deduction?

You can claim a tax deduction for the full amount of your personal contribution to your (complying) superannuation fund.

There are certain conditions and tax implications that you need to know about and these are explained below.

### How taxation affects your contribution amount

Under the superannuation rules which came into effect in July 2007, contributions made to superannuation are identified for tax purposes as either **Concessional** or **Non-concessional** contributions.

These are important distinctions and will affect how much tax you pay, and your tax and saving strategies.

### Concessional contributions:

Concessional contributions are those contributions for which a tax deduction is claimed. (These include personal contributions for the self-employed or employer-sponsored/salary sacrifice contributions.) These concessional contributions are taxed at a standard rate of 15% inside your super fund.

### Concessional Contribution cap:

There is a limit to the amount you can claim as a tax deduction and therefore receive that concessional tax rate. The amount of this 'cap' in 2008/09 is **\$50,000**.

### What if I claim a tax deduction for an amount which is higher than the concessional contribution cap?

The consequence of claiming a deduction for an amount higher than the cap is that the excess contribution (above the cap) will be taxed at a rate of 31.5% (including Medicare).

Once the tax office assesses that this additional tax is payable, you can elect to pay it either from your superannuation account or from other savings, or both.

This 'excess' contribution amount is also counted towards your **non-concessional contribution cap** which is explained below.

### Transitional concessional contributions cap

There are some special transitional arrangements available to anyone over the age of 50 during the period from 1 July, 2007 to 30 June, 2012.

If this applies to you then you can claim a deduction for contributions up to **\$100,000** each year. This amount is not indexed.

These rules are designed to help those who are nearing retirement and may have been adversely affected by the change in rules.

### Non-concessional contributions:

**Non-concessional contributions** are contributions for which a member (including the self-employed) pays from after-tax income and does not receive any income tax deduction. Unlike the concessional contributions, they are not taxable in the Fund.

These personal member contributions can be made until age 75 but the 'work test' (as explained below) will apply after age 65. For contributions made on behalf of a member, including spouse contributions, the work test applies and the age limit is 70.

### **Non-concessional contribution cap:**

There is a limit to the amount of non-concessional contributions that can be accepted by a fund in respect of any member. This is the **non-concessional contribution cap** and the limit for 2008/09 is **\$150,000**.

The fund is required to return any contribution above the cap or any non-concessional contribution if the member has not quoted their Tax File Number with 30 days of making their contribution.

Contributions above the concessional cap also count towards the non-concessional cap.

There is flexibility to make higher non-concessional contributions for people under age 65 which allows you to bring forward 2 years worth of non-concessional contributions. This means that you can contribute **\$450,000** over 3 years without exceeding the cap.

### **What will happen if I contribute more than the non-concessional contributions cap?**

If your non-concessional contribution exceeds the cap, the excess amount of contribution will be taxed at a rate of 46.5%. Again, this tax is levied on you personally and can be paid either from your superannuation account or from other savings, or both.

### **Exemptions from the cap**

There are some contributions which are exempt from the non-concessional contributions cap. These are contributions which are:

- the proceeds from the disposal of eligible small business assets up to a lifetime limit of \$1 million (indexed).
- the proceeds from a settlement of a total and permanent disability claim, and
- The Government co-contribution (see details below).

### **How do I claim a tax deduction?**

Each year Prime Super will write to you and request that you complete a form which is required by the Australian Tax Office.

It is a Section 290C form which notifies your intention to claim a tax deduction for your personal contributions. The information you supply on this form is used by the ATO to identify how your contributions are going to be taxed inside the Fund or levied personally.

You can then follow the normal procedures when lodging your income tax return each year which will include the amount of your personal contribution and the amount of your tax deduction.

### **What conditions apply?**

**Age:** To claim a tax deduction on your personal contributions you must be under the age of 75.

**The 'work test':** After age 65 and up to age 74 you must also be able to satisfy the 'work test'. The regulations require that to benefit from this superannuation tax environment you need to be working in order to retire from it!

To satisfy the work test you must be 'gainfully employed' which means working for at least 40 hours in a period of not more than 30 consecutive days during the year in which the contributions are made.

'Gainfully employed' includes the self-employed and means "working for gain or reward in any business, trade, profession, vocation, calling, occupation or employment".

**Tax File Number:** You must supply your Tax File Number to your super fund in order for your contributions to attract the concessional

tax rates which apply to superannuation. If you don't, your contribution will be refunded or taxed at the top marginal rate.

### **Do I have to contribute to superannuation?**

You would be aware that you do not have an obligation to make personal contributions to superannuation like employers do under the Superannuation Guarantee rules.

However you may need to pay contributions on behalf of any people you employ or for any contractors you may hire.

You may also be entitled to receive contributions from a client if you contract your labour.

See the following sections for more details about superannuation obligations for contractors and employees.

Even if you don't have to contribute to super, when you know about all the specific benefits for the self-employed, we're sure you will agree it can be a very sound business and personal savings strategy.

### **What contributions do I pay if I am a contractor or hire contractors?**

If you pay a contractor under a contract, even if they quote an ABN number, then they may be considered your employees and you may have an obligation to pay contributions under the Superannuation Guarantee rules.

Similarly, if you contract your labour then your clients may be considered your employer and have to pay contributions on your behalf under the Superannuation Guarantee rules.

Either of these may apply if the contract is principally for labour which means more than half of the contract is for physical labour, mental effort or artistic effort.

### **What are the Superannuation Guarantee rules?**

The compulsory contribution rules require that employers pay 9% of employees' ordinary time earnings into a complying superannuation fund on time, each quarter.

Generally, you have to pay if any of your full-time, part-time or casual employees are aged between 18 and 70 and are paid more than \$450 in any given month.

If you are unsure of what your obligations are or how much you have to pay, we recommend you speak to your Accountant or Financial Advisor. The Australian Tax Office Web Site is also a very useful tool for finding out how much you have to pay and for whom ([www.ato.gov.au](http://www.ato.gov.au)).

### **How do I make my superannuation contributions?**

#### **For the first time:**

If you are joining Prime Super for the first time, are self-employed and intend to make personal superannuation contributions, you simply complete a **Member Application form** attached to the current Product Disclosure Statement (PDS). There is a specific question asking you to nominate that you are self-employed which will ensure your benefits are managed accordingly.

You can contact Prime Super for a PDS (details below) or get one on-line at [www.primesuper.com.au](http://www.primesuper.com.au).

If you are also making a contribution on behalf of any employees or contractors (or yourself as an employee if you are an incorporated business), you will need to complete an **Employer Application**, also attached to the PDS.

The PDS and the following sections explain your options for remitting your payment.

### **If you are already a member of Prime Super:**

Follow the simple instructions below for your preferred method of payment.

### **Your options for paying your first contribution**

#### **Payment by Electronic Funds Transfer (EFT):**

If you are used to Internet Banking, the easiest way to make your payment is by EFT.

For details of the Prime Super bank account, please free-call our Customer Service centre on **1800 675 839**.

#### **You will need to know your Member Number to use as a reference or if you are contributing for employees, then use your Employer Number.**

If you are not sure what your Member or Employer Number is you can free-call our Customer Service centre for help on **(1800 675 839)**.

If you are making contributions on behalf of employees then you will need to let us know within 24 hours how your contribution payment is to be allocated to each employee. You can do this by completing an Employee Schedule which is attached to the PDS or by downloading it from the Prime Super website ([www.primesuper.com.au](http://www.primesuper.com.au)).

#### **Payment by Direct Debit:**

You can authorise us to debit your account for the amount of the contributions you intend to pay.

The **Direct Debit Request form** is attached to the PDS, is available on-line or you can request one by free-calling our Customer Service centre **1800 675 839**. Your local Prime Super Representative can also arrange to get the form to you as quickly as possible.

#### **Payment by Cheque:**

You can, of course, pay by cheque and make it payable to Prime Super. You can send the cheque to :

**Prime Super  
Locked Bag 2229  
Wollongong NSW 2500.**

If your cheque is for your personal contributions, attach it to your Member Application or if it is to be lodged separately, please attach it to an Employee Schedule with your membership details including name, date of birth and Member Number. Contributions paid this way for employees would also be attached to an Employee Schedule.

### **On-going contribution payments**

If you intend to make annual contribution payments or contribute at irregular times, we will supply you with **Contribution Returns** to use at your convenience. These are also available from [www.primesuper.com.au](http://www.primesuper.com.au).

For on-going contribution payments for employees you will receive quarterly Contribution Return notices from Prime Super to remind you when payments are due.

For further information about paying contributions for employees and the regular exchange of information to and from Prime Super, please refer to our **Employer Superannuation Guide** available on-line, by free-calling our Customer Service centre on **1800 675 839** or from your local Prime Super Representative (see details on page 4).

### **The Government Co-contribution for the self-employed**

If you make a non-concessional contribution to super, satisfy rules relating to age and income, and you lodge a tax return, then you may be eligible for the Government Co-contribution.

The amount of the Co-contribution will depend on what you earn and it is treated as a non-concessional contribution for tax purposes.

If you are eligible, each year the Tax Office will send you a letter notifying you that the contribution has been paid to your super fund. You can expect to see the amount paid in your next Annual Statement from the fund.

If you would like more information or to calculate the specific amount of your co-contribution entitlement, you can go the Calculator provided by the Tax Office at [www.ato.gov.au](http://www.ato.gov.au). You can also free-call our Customer Service centre on **1800 675 839** for current information.

### **Managing your contribution caps and tax**

It is worth keeping in mind that any concessional contribution amount which exceed it's cap will then count towards your non-concessional cap.

So potentially, that excess can be taxed at 15% (the standard rate in the fund) plus an additional 31.5% (the tax on the amount over the cap) then if the non-concessional contribution cap is exceeded a further 46.5% is levied.

Whilst it might seem unlikely that you will have to pay 93% tax it follows that careful planning is required if your goal is to maximise your superannuation savings and tax benefits.

### **Indexation of contribution caps**

The concessional contribution cap is indexed to Average Weekly Ordinary Time Earnings (AWOTE) with minimum increments of \$5,000. This means that the cap may not necessarily change every year.

The non-concessional contributions cap is always 3 times the amount of the concessional cap.

Indexation does not apply to the 5 year concessional cap of \$100,000 a year for those 50 and over between the 2007 and 2012 financial years.

### **Combining your superannuation accounts**

If you have superannuation in more than one Fund, then it makes sense to combine your savings into one account. In the long run, it will save you time and money.

Once you complete our Roll-over Form, we will organise it all for you. You can ask your Regional Development Manager (details below) or our Customer Service centre **(1800 675 839)** for the Roll-over form and for help with any questions. You can also get a Roll-over form on-line at [www.primesuper.com.au](http://www.primesuper.com.au).

## Why should I provide my Tax File Number?

This is an opportunity to remind you how important it is to quote your Tax File Number (TFN) to your superannuation fund. However, you should know that it is not compulsory, nor is it an offence if you choose not to provide your TFN.

However, if you don't your contributions will either be refunded back to you or in the case of concessional (tax deducted) contributions you will be levied the top marginal rate of tax.

If you are already a member of Prime Super you would have received information about supplying your Tax File Number and will be again before July 2008.

If you are a new member, then there is appropriate provision on the Member Application form.

## Prime Super is your Fund

Prime Super prides itself on being the 'fund of choice' for rural and regional Australians. We are a 'not for profit' fund with more than 150,000 members and over \$1 billion in members' assets.

Some of the benefits for self-employed members include:

- No joining fee
- Low administration fees
- We do not pay commissions to distributors
- A range of insurance cover options
- A range of investment choices and competitive investment performance
- Local support in regional and rural communities.
- Income stream benefit options
- Support services including financial planning, banking and home loans.

### How to contact us

For more information about Prime Super or for answers to your questions, please contact your local Representative (details below) or free-call our Customer Service Centre on **1800 675 839**.

#### Regional Manager - Western Victoria, South Australia and Southern NSW:

##### ROD STEWART

Telephone: 03 8622 9375  
Mobile: 0428 558 158  
Facsimile: 03 8622 9380

#### Regional Manager - Eastern Victoria and Tasmania:

##### DAVID LEISHMAN

Telephone: 03 8622 9381  
Mobile: 0448 330 110  
Facsimile: 03 8622 9380

#### Regional Manager - Western Australia:

##### PAT BREUER

Telephone: 08 9261 7766  
Mobile: 0429 410 426  
Facsimile: 08 9261 7700

#### Regional Development Manager - Central and Northern NSW:

##### ANGELA WALCOTT

Telephone: 02 6766 7295  
Mobile: 0428 288 554  
Facsimile: 02 6766 1872

#### Regional Development Manager - Northern NSW, South Eastern and Central Queensland, Northern Territory:

##### WAYNE WRIGHT

Telephone: 07 4637 9848  
Mobile: 0407 777 449  
Facsimile: 07 4638 1359

#### Regional Development Manager - Central, Northern Coast and Far North Queensland:

##### ASHLEY GRAHAM

Telephone: 07 4121 2011  
Mobile: 0409 030 722  
Facsimile: 07 4121 0811



**Call 1800 675 839**

**www.primesuper.com.au**

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