

SUPER | Big penalties for over-payments Beware of tax hit

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PEOPLE who inadvertently put too much money into their superannuation in a year could be paying tax of up to 93 per cent on their contributions, Adelaide financial strategist Theo Marinis has warned.

Mr Marinis has called for changes in the upcoming Federal Budget to remove the stiff penalties for over-payments that came into effect in July last year.

"Shockingly, under the new system if you exceed the cap you get penalised. No ifs, buts or maybes," he said.

"If you look at the example of

a conscientious doctor who consults to a public hospital and receives superannuation from it as well as making his or her own contributions from their private practice, they will need to tell their financial adviser up front exactly how much super is being contributed as a result of all their work.

"There is no point contributing \$100,000 too much to super just to see the tax man get \$93,000 of it due to poor planning - 46.5 per cent from their salary and 46.5 per cent in penalty - leaving just 7 per cent for themselves, if they innocently contribute above the Government's superannuation caps."

Before last July there were tax

penalties for people withdrawing large amounts from their super. Now withdrawals are tax-free for those aged over 60 but the contribution limits were put in place to stop extremely wealthy people pumping millions into the super environment to enjoy a completely tax-free retirement.

Current limits on superannuation contributions are \$50,000 a year for concessional contributions such as employer payments and salary sacrifice or personal, and \$150,000 a year for non-concessional contributions such as personal payments where no tax deduction is claimed.

"Instead of being stung for ex-

cess benefits, you now get a bigger tax penalty for excess contributions," Mr Marinis said.

"I find this repugnant. If a person wants to save for their retirement and has the ability to contribute a significant sum in one year, they should be allowed to contribute as much as they can afford. The government will still recoup its tax cut via the GST when the money is consumed," he said.

"The Federal Government should act decisively in the upcoming budget to remove this penalty for those who are working so hard to provide for their own future."

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