

What do the changes to Employer Eligible Termination Payments mean?

Currently, an Employer Eligible Termination Payment can either be taken in cash or rolled over to your super.

Changes to the taxation of Employer Eligible Termination Payments

Reasonable Benefit Limits (RBLs) currently limit the amount of concessional tax super you can receive during your lifetime. The abolition of RBLs and the introduction of tax free super for the over 60s, means that focus will be on the amount of super you can contribute. As a result, it will no longer be possible to roll over your Employer Eligible Termination Payments in to your super.

Simplified components

From 1 July 2007, Employer Eligible Termination Payments will be referred to as Employment Termination Payments and will only include two components:

- Tax-free component comprising the post June 1994 Invalidation amount and the Pre-July 1983 amount
- Taxable component (refer to the table below)

Generally, payments must be made within one year of termination.

Taxable component thresholds

| Age | Before 1 July 2007 | From 1 July 2007 | Transitional measures 1 July 2007 to 30 June 2012 |
|------------|--|--|---|
| <55 | 31.5% | < \$140,000 — 31.5% > \$140,000 — 46.5% | < \$1 million — 31.5% > \$1 million — 46.5% |
| 55 or over | < \$135,590 — 16.5% > \$135,590 — 31.5% | < \$140,000 — 16.5% > \$140,000 — 46.5% | < \$140,000 — 16.5% \$140,000 — \$1 million — 31.5% > \$1 million — 46.5% |

How much can the self employed put into super?

Transitional measures

Transitional arrangements are in place to allow eligible payments to be rolled over to super, if:

- you had Employment Termination Payments specified in an employment contract as at 9 May 2006
- payment is made prior to 1 July 2012.

Contribution payments in excess of \$1 million will be subject to the contribution limits and excess taxes.

Tips:

- Check your super statements to make sure you have provided your TFN to your fund, otherwise your undeducted contributions will incur tax at the highest marginal rate and your undeducted contributions will not be accepted.
- If you are retiring or leaving your employer, check to see if the transitional rules apply. If they don't, you may like to consider finishing work before 1 July 2007 so you can take advantage of the existing super environment.
- From 1 July 2007, if you choose to invest your after tax payment in super you will be subject to the new contribution limits.



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