Tax break for state super

Anthony Keane

PEOPLE who work for the State Government can escape new tougher limits on contributions to superannuation, according to Adelaide-based financial strategist Theo Marinis.

He says public servants, including teachers and judges, can avoid the penalty taxes that others face when pumping too much money into super.

"Under the Australian constitution, the Federal Government cannot tax state governments, and therefore state government-managed superannuation funds," says the managing director of Marinis Financial Group.

This means that state government funds such as Super SA are unaffected by this year's Federal Budget changes that limit super contributions to $25,000 for people who are aged under 50 and $50,000 for those over 50.

Super SA has more than 195,000 members, but while they are winners as the money goes in, they face taxes when it comes out – unlike other super fund members who pay zero tax if aged over 60.

"The Federal Government gets its slice in the future with a tax of 16.5 per cent on the withdrawal of the fund balance," Marinis says.

"Members should beware of overfunding their fund, as the tax take can be up to 46.5 per cent on withdrawals in excess of the current $1.1 million threshold."

However, for most members approaching retirement, it means they can potentially salary sacrifice their entire wage to boost their super balance – something the majority of the population can't do.

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