

# Super contribution limits

We all know the government restricts the amount of money you can contribute to your super each year . . .

Superannuation plays an important part in securing your lifestyle in retirement. Apart from the compulsory super contributions made by your employer (called super guarantee or SG), you can contribute extra to your super at any time to help increase your savings for the future. However, there are limits on how much you can contribute before you pay extra tax.

### Concessional (before-tax) contributions

Concessional contributions are contributions made into your super fund **before** any tax is paid on them.

They can include:

- compulsory super payments (SG) made by your employer
- salary sacrifice contributions
- costs your employer pays on your behalf, such as super administration fees and insurance premiums
- some personal contributions such as super payments you make if you're self-employed – if an income tax deduction is allowed.

Once in your fund, these contributions are taxed at 15%.

### Non-concessional (after-tax) contributions

Non-concessional contributions are generally contributions you make into your super fund **after** tax has been paid on them.

They include:

- personal contributions you make from your after-tax pay that you are not allowed to claim as an income tax deduction
- contributions your spouse makes to your fund on your behalf.

### Contribution caps

For the 2016-17 financial year the general concessional contributions cap for those younger than 50 years old in the 2016-17 financial year is \$30,000.

However, if you turn 50 years or older in 2016-17 you can contribute up to \$35,000 before you may have to pay extra tax.

The non-concessional cap is \$180,000 for 2016-17.

Table: Contribution caps 2016-17

	Limit (cap)	Tax rate if you go over the cap
Concessional	\$30,000 (if under 50 years in 2016-17)	Amounts over \$30,000 will be added to your assessable income and taxed at your marginal tax rate
Concessional	\$35,000 (if turning 50 years or older in 2016-17)	Amounts over \$35,000 will be added to your assessable income and taxed at your marginal tax rate
Non-concessional	\$180,000	49% for amounts over \$180,000**

\*\* For contributions made from 1 July 2014 amounts over \$180,000 may be withdrawn, along with any associated earnings. The earnings would then be taxed at your marginal tax rate. There is also a bring forward provision for people under age 65, who can go over the non-concessional cap by up to two years' worth of contributions without penalty.

. . . the trick is to **know your limits!**

### If you go over the super caps

From 1 July 2013, if you go over the **concessional** cap, your excess contributions will be included in your assessable income and taxed at your marginal tax rate plus an interest charge called the excess concessional contributions (ECC) charge.

To assist you in paying the additional tax bill, you can elect to release up to 85% of your excess concessional contributions from your super fund. You can only release up to 85% because 15% contributions tax has already been paid by your super fund. You will receive a 15% tax offset for this in your tax return. Released contributions will not be counted as non-concessional contributions.

From 1 July 2013, if you go over your **non-concessional** contributions cap, you will receive an excess non-concessional contributions determination. You will have the option to withdraw all your excess non-concessional contributions and 85% of the associated earnings (as tax has already been paid on the earnings by your super fund). If you choose this option the total amount of your associated earnings will be included in your assessable income and taxed at your marginal tax rate. You will receive a 15% tax offset for this in your tax return.

If you choose not to release your excess non-concessional contributions from your super fund, you will receive an excess non-concessional contributions tax assessment where the excess amount will be taxed at the highest marginal tax rate.

You can go over the non-concessional cap by up to two years' worth of contributions without penalty if you are under age 65 in the relevant financial year. This is called the **bring forward provision**. The cap amount that applies is three times the non-concessional contributions cap for the financial year in which you make the contribution.

### Avoiding extra tax

Check your contributions regularly to make sure you aren't going to exceed the caps. When you work out how much you're contributing in any financial year, remember that contributions count when they are received by your fund – not when the payment was sent.

If you salary sacrifice to super and you think you're at risk of exceeding the cap, consider reducing your salary sacrifice amounts.

## We're here to help

Super can be quite complicated and sometimes you just want to know that you're making the right decisions. Because the right decisions about your super can make a real difference to your financial future.

So if you've got any questions, or you just want the comfort of knowing you're on the right track, why not give us a call?

## Contact us

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