

Super Contributions - Know your limits!

Making additional contributions to your super can help to build your retirement savings. Even small amounts add up over time. But did you know there are limits on the amount you can contribute to your super each financial year? If you contribute over these limits, you may have to pay extra tax.

The limit amount and how much extra tax you have to pay may depend on your age, which financial year your contributions relate to, and whether the contributions are:

- concessional (before tax)
- non-concessional (after tax)

If you have more than one super fund, all contributions (concessional or non-concessional) made to all of the funds are added together and count towards your contribution limits.

Concessional contributions

Concessional contributions are the contributions you make before your income tax is taken out. They include, but are not limited to:

- employer contributions, such as
 - compulsory employer contributions
 - additional concessional contributions your employer makes
 - salary sacrifice payments made to your super fund
 - other amounts paid by your employer from your before-tax income to your super fund, such as administration fees and insurance premiums
- personal contributions you are allowed as an income tax deduction

For the 2020/2021 financial year, the concessional super contribution limit is \$25,000 for everyone.

Did you know?

As concessional contributions are paid before tax is applied, it means that your super fund pays tax on the contributions at 15%. Note:

- From 1 July 2019, you can make 'bring-forward' concessional super contributions if you have a total super balance of less than \$500,000. You can access your unused concessional contributions limits on a rolling basis for five years. Amounts carried forward that have not been used after five years will expire. The first year in which you can access unused concessional contributions is the 2019–20 financial year. You can check your available concessional contributions limit on ATO online services (accessed via myGov) under the "Super" tab.
- If you split your before-tax contributions and give some to your spouse, these contributions still count towards your concessional limit
- Division 293 tax. An extra 15% tax on the super contributions of high-income earners. This tax is charged if your income plus your concessional super contributions are above \$250,000. The ATO will issue a notice of assessment. Division 293 tax can only be assessed by the ATO following lodgement of both the individual's income tax return and the super fund/s contribution reports. There may be a significant gap between making the contributions and assessment of the Division 293 tax.

What happens if you exceed the concessional contribution limit?

Any contributions you make over the limit will be taxed at your marginal tax rate, plus a charge. You may elect to withdraw up to 85% of your excess concessional contributions from your super fund to help pay your income tax liability.

Non concessional contributions

Non concessional contributions are made into your super fund from after-tax income.

They include, but are not limited to:

- Personal contributions for which you do not claim an income tax deduction
- Spouse contributions
- Contributions you make, or your employer makes on your behalf, from your after-tax income

From 1 July 2017, the annual non-concessional contribution limit was reduced to \$100,000 per year, for individuals with a total superannuation balance of less than \$1.6 million as at the end of the previous financial year. Upon meeting the work test, this also remains available to individuals aged between 65 and 74 years. Individuals aged 75 or over generally cannot make nonmandated contributions to super.

If you are under 65 years old, you may be able to make non-concessional contributions of up to three times the annual non-concessional contributions limit in a single year. If eligible, when you make contributions greater than the annual limit, you automatically gain access to future year limits. This is known as the 'bring-forward' option.

Contribution and "bring forward" available to individuals under age 65.

Total superannuation balance	Contribution and bring forward available
Less than \$1.4 million	Access to \$300,000 limit (over three years)
Greater than or equal to \$1.4 million and less than \$1.5 million	Access to \$200,000 limit (over two years)
Greater than or equal to \$1.5 million and less than \$1.6million	Access to \$100,000 limit (no bring-forward period, general non-concessional contributions limit applies)
Greater than or equal to \$1.6 million	Nil

Source: www.ato.gov.au

The total superannuation balance is determined on 30 June of the previous financial year. Transitional arrangements apply to individuals who brought forward their non-concessional contributions limit in the 2015–16 or 2016–17 financial years.

Did you know?

From 1 July 2018, individuals aged 65 or over will be able to make a contribution to super of up to \$300,000 from the proceeds of selling their home. These contributions will not count towards the concessional or non-concessional contribution limits and the individual making the contribution will not need to meet the existing maximum age, work or \$1.6m balance tests for contributing to super. The home sold must have been owned by the individual for the past ten or more years and have been the principal residence of the individual. Both members of a couple can contribute to super under this policy from the proceeds of the sale.

What happens if you exceed the non-concessional contribution limit?

If you exceed your non-concessional contributions limit, you can withdraw the excess non-concessional contributions, and an amount of notional earnings. The earnings would then be included in your income tax assessment. If you choose not to withdraw your excess contributions, they are taxed at the top marginal tax rate.

Support for you

Rules around making additional contributions to super can be complex – this guide is a summary only. PSK Financial Services is available to assist via the contact details below or visit www.ato.gov.au/Individuals/Super for more information.



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