Superannuation contribution limits

(2016-2017 tax year)

How much can you contribute to super?

Limits apply to the level of concessional (pre–tax) and non-concessional (after-tax) contributions that can be made to super and treated in a concessionally taxed manner. These limits are referred to as ‘contribution caps’. Contributions that exceed these caps attract additional tax. Both the caps and the way they are taxed have changed with effect from the 2016/17 tax year.

Concessional (pre-tax) contributions	
Under age 49 at 30 June 2016	**$30,000 p.a.**
Aged 49 or over at 30 June 2016	**$35,000 p.a.** (unindexed)

Non-concessional (post-tax) contributions	
Under age 65	**$180,000 p.a. or** **$500,000 lifetime cap**[1]

[1]Subject to legislation proposed in 2016/17 Federal Budget and currently before Parliament.

What contributions are counted toward the concessional (pre-tax) cap?

The above caps apply to the following contributions:

- all employer contributions including the 9.5% super guarantee contribution;
- any voluntary salary sacrifice contributions;
- personal contributions made by you for which a tax deduction is claimed;
- member contributions made on your behalf by another person, eg contributions by a friend (does not include spouse or child contributions);
- certain components of a termination payment made by an employer to a super fund;
- any fund costs paid by your employer on your behalf such as administration fees or insurance premiums;
- any other concessional contributions such as award contributions; and
- ‘notional taxed contributions’ which represent the contributions made by your employer in respect of any defined benefit.

The SG payment rate is legislated to remain at 9.5% until 30 June 2021 and then will gradually increase to 12% by 1 July 2025.

What are non-concessional contributions and the limits that apply to these?

Non-concessional contributions are contributions made from your after-tax salary, which include:

- personal contributions not claimed as an income tax deduction;
- contributions made by your spouse to your superannuation account;
- some parts of an amount transferred from an overseas fund; and
- any concessional contribution over and above the concessional contribution limits.

Excess concessional contributions

From 1 July 2013 excess concessional contributions are taxed at your marginal tax rate. This is calculated by:

- 15% contributions tax paid by your fund;
- excess concessional contributions are included as assessable income;
- receive a non-refundable excess concessional contributions tax offset equal to 15% of excess concessional contributions amount; and
- subject to excess concessional contributions charge.

Excess non-concessional contributions

Excess non-concessional contributions are taxed at 49% to individuals. From 1 July 2013, if a member has made contributions that exceed their non-concessional cap, they can generally elect to withdraw the excess (plus earnings) rather than paying excess non-concessional contributions tax.

Excess concessional contributions charge

Essentially an interest charge, the charge recognises that a client making excess concessional contributions has avoided having these amounts being taken into account under the PAYG rules and therefore pays tax later than would otherwise be the case.

The charge:

- is payable with reference to the amount of your income tax liability for the financial year that is attributable to excess concessional contributions;
- is calculated from the start of the financial year in which the excess contributions are made until the day payment is due under your first notice of assessment for that financial year;
- is calculated and compounded daily at a rate equal to the RBA published 90 day bank accepted bill rate plus 3%; and
- becomes payable when you are liable to pay income tax attributable to the excess concessional contributions.

Proposed Federal Budget changes to the Non-Concessional Contribution Cap

On 3 May 2016, the federal government announced an IMMEDIATE cut to the non-concessional contributions cap, including a cessation of the bringforward rule. A new lifetime non-concessional cap of $500,000 was announced by the Treasurer to replace the annual cap of $180,000 (and the bring-forward rule allowing up to $540,000 over a 3-year period for under-65s). Although this change was announced to have immediate effect, from 3 May 2016 (7.30pm), it is still subject to legislation at the date of this publication.

Example: Joe is subject to a Marginal Tax Rate (MTR) of 34.5% (incl 2% Medicare Levy) and has excess concessional contributions of $20,000.

Firstly, these contributions will be taxed at 15% inside Joe's super fund ($3,000).

Secondly, $20,000 will be added to Joe's assessable income for the financial year (tax of $6,900) but will receive a 15% tax offset ($3,000).

Joe's excess concessional contributions have effectively been subject to a maximum of 34.5% (his MTR incl 2% Medicare Levy). This excludes any excess concessional contributions charge that may be payable.

How is the tax paid? Will I have to pay the tax from my personal assets?

You will be notified by the Australian Tax Offce (ATO) after the end of the 2016/17 financial year if you have any excess concessional or non-concessional contributions and the associated tax liability via an excess contributions tax assessment.

For concessional contributions, you may elect to have 85% of any excess concessional contributions released from your super fund. The election to release the funds must be made to the ATO within 21 days of receiving an excess contributions notice. Your super fund will pay the released amount to the ATO. If the amount released exceeds the outstanding tax liability, you may be entitled to a tax refund.

If, in the event that you no longer have a super account, you will need to pay the tax liability from your own pocket.

For non-concessional contributions the release authority must be given to your super provider within 21 days after the date of the release authority.

The excess non-concessional contributions tax can only be paid from a super account.

You do not have the option of paying out of your own pocket unless you do not have a super account.

Excess contributions tax is due and payable by the individual at the end of 21 days after the ATO gives you the assessment notice. Amounts of unpaid excess contributions tax after that time are subject to a general interest charge.

What should I do if I expect to exceed the limits and I am making voluntary contributions?

You may wish to consider whether to reduce any voluntary concessional or non-concessional contributions to avoid paying the additional tax. You should seek advice from a licensed or appropriately authorised financial adviser on this matter.

Higher tax on concessional contributions for very high income earners

If you have income exceeding $300,000 (not indexed) it will be subject to an additional 15% tax on part or all of non-excessive concessional contributions which includes any super guarantee and salary sacrifice contributions.

Any questions? Want some help?

One of the great benefits of being in the staff super fund is having access to advice and assistance from the super specialists at Finergy Solutions, our super fund advisers. For all the help you need on any super matter, simply call or email Finergy.

Please contact Finergy Solutions with any questions:

enquiry@finergy.com.au
or **1300 071 540**

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