Superannuation

Super contributions

Aon Hewitt Financial Education Series

What are the different types of super contributions?

There are two different types you can make:

Concessional Contributions	Non-Concessional Contributions
Before-tax money is used	After-tax money is used
15% contributions tax payable if income is below $250,000 otherwise 30%	No contributions tax payable
You or your employer can generally claim a tax deduction for the contribution	No tax deductions can be claimed
Counts towards the Taxable component	Counts towards the Tax free component
Annual limit of $25,000	Annual limit of $100,000

How can I make a concessional contribution?

There are a number of different ways you can make a concessional contribution into super. These include:

- The most common is the compulsory 9.5% Super Guarantee Contribution (SGC) that your employer pays into super on your behalf.
- One way to increase the amount your employer contributes is by using salary sacrifice. This is where you choose to reduce your take home salary and have the before-tax money contributed into super. For more information, please refer to the 'Salary Sacrifice' fact sheet under the Superannuation Financial Education Series.
- You are also able to make a personal deductible contribution into super and claim a tax deduction for the amount of the contribution. If you are self-employed this is the most common way of contributing to super. If you are employed and your employer doesn't allow salary sacrifice, or you want to make a lump sum contribution into super you are now able to do so and claim a tax deduction, you just need to make sure you don't exceed your cap.

How can I make a non-concessional contribution?

To make a non-concessional contribution, you contribute after-tax money, such as money you currently have invested in a bank account.

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How much can I contribute?

There are annual limits on the amount you can contribute into super or have contributed on your behalf. These limits depend upon the type of contribution and your age at the time of the contribution.

Concessional contributions

For the current financial year, if you are able to contribute, the annual concessional contribution limit is $25,000 per person each financial year.

For individuals with income using the adjusted definition set by the Australian Taxation Office, above $250,000, you will be required to pay 30% contributions tax on your concessional contributions, as opposed to the standard 15%.

The Government introduced the Low Income Superannuation Tax Offset on 1 July 2017. This is where the Government will refund the tax paid on concessional contributions made into your super account for the lesser of:

- 15% of the eligible concessional contributions (including your super guarantee contributions); or
- up to a maximum of $500.

This effectively means that you aren't paying any tax on your concessional contributions of up to $3,333.

To be eligible for this rebate by the Government, your adjusted taxable income must be under $37,000 (which includes any salary sacrifice contributions or personal tax-deductible contributions), and at least 10% of your total income arises from employment and/or self-employment income.

For example, in the 2018/2019 financial year Sarah worked part-time as a teacher and earnt $35,000. Her employer made super contributions of $3,325 on her behalf. Sarah is eligible for the Low Income Superannuation Tax Offset and receives $498.75 in her account.

Non-concessional contributions

The annual non-concessional contribution limit is four times the standard concessional contribution limit. This means you are able to contribute $10,000 each financial year.

If you are aged 64 or less at any time during the financial year you are able to bring forward up to 2 years contributions and contribute a maximum of $300,000 in one financial year. However, you are only able to bring forward contributions if your "Total Super Balance" is under $1.6 million as per the table below:

Total Super Balance	Contribution and bring forward available
Less than $1.3 million	3 years ($300,000)
$1.3 to less than $1.4 million	3 years ($300,000)
$1.4 to less than $1.5 million	2 years ($200,000)
$1.5 to less than $1.6 million	1 year ($100,000)
$1.6 million	Nil

If you have previously triggered the bring forward rule, we recommend you talk to your financial adviser who can work out how much you have left to use.

If you are aged 65 or more, you are only able to contribute a maximum of $100,000 each year and you are not able to use the bring forward provisions. However, if you had triggered the bring forward provisions in the previous 2 years, you will still have the remaining limit available to you.

This means that you may still be able to use the bring forward provisions if you are currently aged 65, as long as you were 64 during the financial year you make the contribution (i.e. 64 as at 1 July). However if you are 65 at the time of the contribution, you need to ensure that you have met the work test, which is discussed later.

What is your “Total Super Balance”?

Your “Total Super Balance” includes amounts held in your super (accumulation) funds, amounts in transition to retirement pensions, and if you have tax free retirement income streams, the amount assessed against your Transfer Balance Cap.

Also counted will be any money that you are in the process of transferring from one super fund to another.

What if I go over these limits?

Concessional contributions in excess of the thresholds above will be subject to your marginal tax rate plus an interest charge.

You have the choice of withdrawing the excess amount from your super fund to pay the potential tax bill and also receive a non-refundable 15% offset on the amount of the excess to offset the 15% contributions tax you may have already paid. In addition, the excess contributions will count towards your non-concessional contributions cap (unless you elect to withdraw the excess amount, up to 85%) but remain under the taxable component.

If you exceed your non-concessional contributions cap, the amount above the limit will be subject to additional tax of 47% (top marginal tax rate). However, you can choose to refund the excess amount and any deemed earnings (of which 85% may be released) will be added to your assessable income and taxed at your marginal tax rate. You will also receive a non-refundable tax offset of 15% to account for 15% tax that is imposed on earnings within the fund.

It’s very important that you keep track of your super contributions each year and inform your financial adviser whenever you make contributions.

What tests do I have to meet to contribute?

Depending upon your age you may need to pass a “Work Test” to be able to contribute to super, as shown in the following table:

Age of Member	Work Test
Below Age 65	No work test applies; you can contribute to super even if you aren’t working.
Ages 65 to 74	You must’ve been gainfully employed for at least 40 hours in a period of not more than 30 consecutive days within the financial year that you or your employer make the contribution. Spouse contributions can only be made on your behalf if you meet the work test described above and are under age 70. The work test must be satisfied before the contribution is made.
Age 75 and over	Only contributions mandated under an Award or Certified Agreement are allowed. Personal and voluntary employer contributions aren’t permitted after turning 75 (which includes 28 days after the end of the month in which you turn 75).