

Keeping track of your contributions

Introduction

There is generally no limit on the amount of contributions which can be made to superannuation. However contribution caps exist to limit the amount of contributions which can be made and still receive concessional tax treatment.

Thus it is important to be aware of:

- How much you can contribute to superannuation without paying extra tax
- What you can do to keep your superannuation contributions under the contributions caps; and
- The common errors made by people.

Concessional contributions

Concessional contributions (CC) are generally employer contributions such as superannuation guarantee (SG) and salary sacrifice and personal contributions for which an income tax deduction is claimed.

In 2010/11 the cap on CCs is \$25,000 (indexed) per person per year. For persons aged 50 or over on 30 June, a transitional cap of \$50,000 (not indexed) applies but only until 30 June 2012.

Contributions exceeding the CC cap will be taxed at an additional 31.5% on top of the 15% levied upon entry into the fund and will also count against the non-concessional contributions cap.

Non-concessional contributions

Non-concessional contributions (NCC) are generally personal contributions for which

you do not claim an income tax deduction. Typically these are personal contributions and contributions made by your spouse that are made from after-tax income.

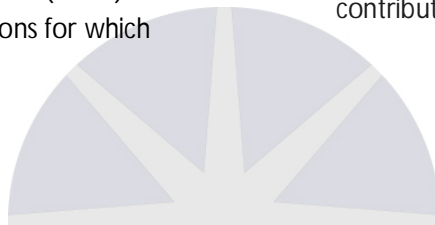
In 2010/11 the cap on NCCs is \$150,000 per person per year. Individuals who are under 65 at any time in a financial year can bring-forward two years worth of future NCCs, making the NCC cap \$450,000.

Contributions exceeding the NCC cap will be taxed at 46.5%.

Tips to stay under the CC cap

The Australian Tax Office (ATO) suggests the following five tips:

- If you work out that you may exceed the CC cap in the current financial year, stop or reduce any voluntary contributions (ie. salary sacrifice) or delay making any personal superannuation contributions that you intend to claim as a deduction in your income tax return to the next year
- Check when your contributions are received by your superannuation fund. Generally, the contribution counts towards a cap in the year in which your fund actually receives the money
- Check if your employer pays costs such as superannuation administration fees and insurance premiums on behalf of your fund, as they may count towards your CC cap
- If you have more than one job or pay money into more than one fund, include all these when you work out your annual contributions; and





- If you are eligible to claim an income tax deduction for your personal superannuation contributions, only the amount the ATO allows as a deduction will count towards your CC cap.

Tips to stay under the NCC cap

The ATO suggests the following six tips:

- If you exceed the CC cap, the excess counts towards your NCC cap
- Any amount that you cash out and re-contribute into your superannuation fund is a personal contribution
- Contributions are counted against the caps in the year in which they are received and credited by your superannuation fund
- You are only eligible to bring forward the next two years of contributions if you are 64 years old or less on 1 July of the first financial year
- If you are over 65 years old, then you must pass the work test to make contributions (that is, you must work for at least 40 hours over a 30 day period in the year in which the contribution is made); and
- You must give an election form to your fund before or when you make a

contribution if you are eligible to exclude from the NCC cap:

- Contributions arising from personal injury payments; or
- Contributions derived from the proceeds of the disposal of certain small business assets, up to your lifetime superannuation capital gains tax cap amount.

Common errors people make that lead to excess contributions

- Miscalculating CCs and NCCs made over a financial year or over a 3 year period
- Not counting all contributions being made to fund or multiple funds
- Not determining if the individual's planned income tax deduction for their personal superannuation contributions will be allowable to them because of their age, other assessable income; and
- Not understanding when contributions must be reported by funds, such as:
 - Counting a contribution on the date the contribution was paid rather than received by the fund; or
 - Counting employer contributions to the period in which the liability arose rather than the period in which they were made.

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