

Non-concessional contributions

Making non-concessional contributions into superannuation increases your retirement savings and your tax-free component.

Benefits

- Investing in superannuation boosts your savings to help meet your retirement goals.
- The rate of return inside superannuation may be higher after-tax than investing outside superannuation. This is because earnings inside superannuation are taxed at a maximum rate of just 15%, whereas earnings from non-superannuation investments are generally taxed at your marginal tax rate. This helps your savings to grow faster.
- Your tax-free component will increase. This amount can be withdrawn tax-free at any age (subject to preservation rules).
- The tax-free component is not taxable if paid as a lump sum death benefit to any of your dependents (even adult children). This can increase the amount payable to your family or estate.
- The contribution strategy can help to reduce potential tax payable when receiving future account based pension payments between preservation age and age 60.
- Depending on your income for the year and satisfying eligibility requirements, the Government may contribute \$0.50 for every \$1.00 of non-concessional contributions you make, up to a maximum of \$500.

How it works

To be eligible to contribute to superannuation, you must be either under age 65, or 65-75 and have worked at least 40 hours in any 30 consecutive days in the current financial year.

Non-concessional contributions are made from after-tax income and include:

- personal contributions where you have not claimed an income tax deduction
- after-tax salary that you have requested your employer to direct into superannuation on your behalf
- spouse contributions
- contributions in excess of your capital gains tax (CGT) cap from business assets
- most transfers from foreign superannuation funds.

Non-concessional contributions do not include superannuation guarantee (SG) contributions, salary sacrifice or certain contributions resulting from personal injury payments.

Non-concessional contributions form part of the tax-free component of your super account, which is tax-free when withdrawn from super, even whilst you are under age 60.

Non-concessional contribution caps

There is a cap on how much you can contribute as a non-concessional contribution each year. The non-concessional contribution cap for 2018/19 is \$100,000.

If you are under age 65 on the 1st of July, you are able to contribute the cap amount for that year plus 'bring forward' the next two years' worth of non-concessional cap to make larger contributions if needed. This rule is particularly useful if you are selling a large asset (such as an investment property) and want to contribute the proceeds into super. The bring-forward rule effectively allows you to contribute up to \$300,000 of non-concessional contributions over a three year period.

NOTE: If you did not fully utilise the old NCC bring-forward limit of \$540,000 before 1 July 2017 you will be subject to transitional provisions to determine your maximum available NCC cap. These rules are complex and you should consult with your financial adviser to determine your personal NCC cap.

From 1 July 2017 you must have total super savings of less than \$1.6 million at 30 June to be eligible to make any NCCs the following year.

If you are utilising the bring-forward rule, the limit above will reduce if your total superannuation savings are more than \$1.4 million on the 30th of June prior to the financial year in which the bring-forward rule is triggered. These rules are complex so it is important that you get advice.

If you exceed your non-concessional contribution cap, you can choose to leave the excess in superannuation and pay excess tax at the top marginal tax rate (plus levies) or you can withdraw the excess and associated earnings (as calculated by the Tax Office) and pay tax on the earnings component at your marginal rate plus interest penalties.

Consequences

- All contributions to super are preserved until you meet a condition of release. You need to be sure that you do not need access to the amount contributed until you retire.
- If you exceed your NCC cap excess contribution tax penalties may apply.
- From 1 July 2017 if you have total superannuation savings of \$1.6 million or more at 30 June you will not be eligible to make non-concessional contributions.
- From 1 July 2017 the total amount of super monies used to start pensions will be capped at \$1.6 million. All superannuation income streams are assessed against the transfer balance cap regardless of when it first commenced. You can retain excess amounts in your accumulation accounts where tax at 15% continues to apply.
- Fees may be charged for your superannuation contributions. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.
- The government may change superannuation legislation in the future.

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