STATE SUPER Financial Services AUSTRALIA

factfile#7

Superannuation Contributions Caps

For many people, contributing to superannuation is the primary way they will save for their retirement. Annual caps apply to contributions which limit the amount that can be saved into super tax effectively.

Two types of super contributions

Contributions to super can be made before tax ('concessional') or after tax ('non-concessional').

Concessional contributions may include:

- Employer contributions to super, including notional contributions to defined benefits schemes, and super guarantee contributions to accumulation funds;
- Salary sacrificed contributions to super; and
- Personal contributions to super, where you are allowed to claim a deduction in your income tax return.

Non-concessional contributions may include:

- Personal contributions to super that you aren't allowed an income tax deduction for;
- Contributions made on your behalf by your spouse to your super fund; and
- Amounts considered in excess of the concessional contributions cap.

Contributions caps limits for 2012-13

If you have more than one super fund, annual contribution caps apply across all of your accounts. The limits this financial year are:

Concessional cap	Non-concessional cap
$25,000 This cap applies to everyone.	$150,000 If you are under age 65 during the financial year the contribution is made, you can bring forward two years of contributions, effectively allowing you to contribute up to three times the cap at once, or at any time during the three financial years.

Caps and your defined benefit scheme

Special conditions apply for concessional contributions to defined benefit schemes. Generally, concessional contributions to defined benefit schemes (including salary sacrificed amounts) will be considered within the cap, even if they would otherwise exceed the cap.

However, in the event further employer contributions including salary sacrificed amounts are made to another fund, these further amounts will be assessed as exceeding the relevant cap and will attract additional tax.

You should visit your scheme's website for a fact sheet which outlines the information applicable to you.

Example one

Kathy is currently 48 years old and is a member of the State Superannuation Scheme (SSS). Kathy will retire when she reaches 55. Kathy earns a salary of $90,000 pa and salary sacrifices her member contributions to the scheme.

The concessional contributions being made for Kathy are:

Salary sacrificed amount:	*$ 20,000 pa*
Employer contribution:	*$ 6,480 pa*
Total concessional contributions:	*$ 26,480 pa*

Despite the amount of concessional contributions for Kathy exceeding her applicable contribution cap of $25,000, her scheme would report the amount of $25,000 to the Tax Office and therefore would not be assessed as having exceeded the cap.

Extra tax payable if caps are exceeded

The amount contributed to super above the respective contribution cap will attract additional tax.

The Tax Office will determine whether the cap has been exceeded and will tax the excessive amount as follows:

Concessional cap	Non-concessional cap
31.5% (in addition to the 15% paid by the super fund)	46.5%

Any concessional contributions in excess of the cap will also count towards the non-concessional contributions cap.

Example two

Kathy, from example one, also salary sacrifices a further $10,000 pa to a second super fund.

At the end of the financial year her super funds will report her concessional contributions as follows:

State Super Scheme will report (see example one):	*$ 25,000 pa*
Second super fund will report:	*$ 10,000 pa*
Total concessional contributions reported to the ATO:	*$ 35,000 pa*

The outcome for Kathy will be that the Tax Office will assess the salary sacrificed contributions she has made to her second super fund as exceeding the cap. Therefore, Kathy will be required to pay an additional 31.5% tax on this amount. This extra tax is in addition to the 15% contributions tax payable when this amount was salary sacrificed to her super fund.

The amount of $10,000 will also be assessed against Kathy's non-concessional contributions cap.

The concessional contributions cap is based on the 'use it or lose it' principle. This means that any amount within the available cap which is not used in one financial year cannot be accumulated for use in later years.

New rules regarding the amount of concessional contributions you can make were introduced on 1 July 2012. It is important, therefore, you review your contribution strategies to ensure you remain within the $25,000 concessional contribution cap.

To find out how to manage your contributions caps call 1800 620 305 or visit our website at www.ssfs.com.au

Your financial planners

This advice is of a general nature only and has been prepared without taking account of your objectives, financial situation or needs. Before making any decisions based on this advice, you should consider its appropriateness to you. We strongly recommend that you consult a professional adviser before making a decision.

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