

Super contribution caps












Fact sheet

Understanding your contribution limits (also referred to as contribution caps) can help you make the most of your super.

How can you contribute to super?

There are a few things to consider when putting money into your super. They include the type of contribution, any limits that apply, who makes the contribution and how they are made. To enjoy the tax advantages of super, it's important you understand and stay within the limits.

1. Type	<div></div> <div>Before-tax*</div> <div>Make contributions before you pay income tax (salary sacrifice).</div> <div>Includes employer contributions and any after-tax contributions you claim a tax deduction for, such as personal contributions.</div> <div>Also known as concessional contributions.</div>		<div></div> <div>After-tax#</div> <div>Make contributions after you pay income tax.</div> <div>Also known as non-concessional contributions.</div>			
2. Limits	<div></div> <div>\$25,000 p.a.</div> <div>Taxed at 15%.</div>	OR	<div></div> <div>Carry forward up to 5 years of unused concessional contribution cap amounts</div> <div><i>If you have less than \$500,000 in all your super at the end of the previous financial year.^</i></div>	<div></div> <div>\$100,000 p.a.#</div>	OR	<div></div> <div>\$300,000 over 3 years#</div> <div><i>If you're under age 65 and contributing more than \$100,000 in one year</i></div>
3. Who and how	<div></div> <div>Your employer</div> <div>Contributes to your super before tax</div> <div><ul style="list-style-type: none">• Minimum of Superannuation Guarantee amounts</div>		<div></div> <div>You</div> <div><ul style="list-style-type: none">• Salary sacrifice• Personal contributions (after-tax)• Spouse contributions</div>		<div></div> <div>Australian Government</div> <div>Contributes to super for eligible low - medium income earners.</div> <div><ul style="list-style-type: none">• Super co-contribution• Low Income Super Contribution Scheme</div>	

*Before-tax contributions have tax benefits for many members, as the contributions tax you pay will generally be less than your marginal tax rate. If your taxable income is less than \$250,000 per year, your super contributions are taxed at 15%. If you're a high income earner (adjustable taxable income including salary sacrifice superannuation contributions more than \$250,000 per year), you'll pay 30% tax on super contributions.

If your total super balance (all your accounts) is \$1.6 million or more, you cannot make after-tax contributions.

^The first year you will be able to use any carried forward contribution cap amounts is 2019/20 (taking into account your unused portion for 2018/19).

What happens if you exceed the before-tax contribution limit?

If your total before-tax contributions (including super paid by your employer) are more than the before-tax limit, any excess will be included as assessable income for the year. This will be taxed by the Australian Taxation Office (ATO) at your marginal tax rate, less a 15% tax offset for the tax already paid on your contributions when they were added to your account. You will also need to pay an Excess Concessional Contributions Charge (ECCC), and possibly interest charges.



TIP: You can check your contribution limit any time by logging into your Member Online account at mercysuper.com.au

How to pay the excess contribution tax

You can withdraw up to 85% of your excess before-tax contributions from your super fund to help pay your income tax assessment or you can pay the excess contributions tax directly. To withdraw money from your super, you'll need to complete and return the Election form to the ATO within 21 days of the notice date. The ATO will then issue a release authority to Mercy Super to arrange for the excess amount to be withdrawn from your super account. If the money withdrawn is greater than the tax owed, the ATO will refund the balance to you.

Example – excess before-tax contribution

Laura contributes \$35,000 to her super from her before-tax salary, including employer contributions. Her excess contribution is \$10,000. She receives an assessment notice from the ATO with an amount payable that includes:

- Tax applied (at Laura's marginal tax rate) to \$10,000 less a 15% tax offset, and
- An Excess Concessional Contributions Charge on the excess tax (if applicable).

Laura can elect to withdraw \$8,500 from her super account to pay the ATO, and will be refunded the remainder once she pays any outstanding tax debt.

What happens if you exceed the after-tax contribution limit?

If you make excess after-tax contributions, you will receive an Election form from the Australian Taxation Office (ATO), asking you how you wish to treat the excess amount.

You can:

1. get the excess amount released from your super account, together with associated earnings. The earnings will be included in your assessable income and taxed at your marginal tax rate.
2. pay excess non-concessional contribution tax on the excess amount.
3. advise the ATO if this amount is no longer in super.

If you don't make a choice within 60 days of being notified, you will pay tax on the excess amount at the highest tax rate.

Example – excess after-tax contribution

Roger contributes \$200,000 to his super after-tax before 30 June 2018. His excess contribution amount is \$100,000. He receives an assessment notice from the ATO advising:

- Excess contributions of \$100,000, with associated earnings of \$19,000. The notice shows the total release amount is \$116,150 (\$100,000 plus 85% of the associated earnings \$19,000).

Roger completes the ATO election form to release \$116,150 from his Mercy Super account. This amount, once refunded to Roger, is no longer assessable and is tax-free. However, the associated earnings \$19,000 is included in Roger's assessable income for the 2018/19 year and is taxed at his marginal tax rate, less a 15% tax offset of \$2,850.



Did you know?

If you have more than one super fund, all contributions combined will count towards your contributions cap. An easy way to keep track of your contributions is to consolidate all your super funds into your Mercy Super account. Combining your super is easy. See our *Consolidating your super* fact sheet.



Did you know?

From 1 July 2018, you can start to accumulate unused before-tax contribution cap amounts if you have less than \$500,000 in super. For example, if you contribute \$20,000 in the 2018-19 year, you can add \$30,000 to super in the 2019-20 year, which is \$25,000 plus the unused amount of \$5,000 from the previous year.

Contact us

IN PERSON	Potter Building, Ground Floor, Mater South Brisbane Campus, South Brisbane QLD
MAIL	PO Box 8334, Woolloongabba QLD 4102
PHONE	1300 368 891 or 07 3163 8880
FAX	07 3163 2421
EMAIL	information@mercysuper.com.au
WEB	mercysuper.com.au