09/2015

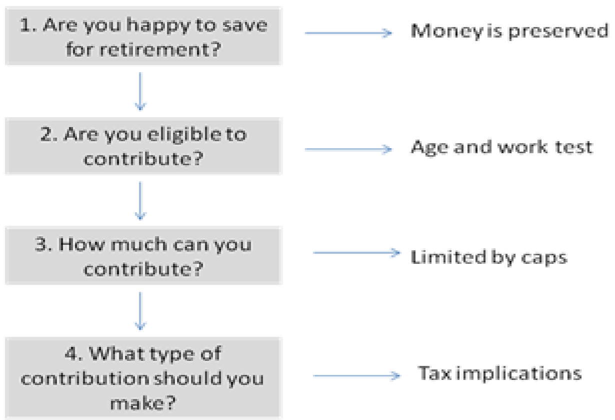
Concessional Contributions

Concessional contributions are contributions made to a superannuation fund that are not treated as a non-concessional contribution.

They generally include contributions made by an employer on behalf of an employee including Superannuation Guarantee contributions and contributions made under an effective salary sacrifice arrangement.

Personal contributions may also be treated as concessional contributions where the person making the contribution is eligible to claim a personal tax deduction for their contributions. Contributions made for the benefit of another person, including contributions made for relatives (other than a spouse) and children over the age of 18, are treated as concessional contributions, whether or not the person making the contribution is eligible to claim a tax deduction for the contribution.

Before agreeing to make additional contributions to superannuation there are a number of steps to check:



Step 1 – Preservation

All contributions to superannuation are preserved. This means the money cannot be withdrawn until a condition of release (as specified in superannuation laws) is met. This aims to ensure money is invested until retirement, but some earlier access conditions may apply.

Conditions of release include:

- Termination of an employment arrangement after age 60
- Reaching age 65
- Death
- Diagnosis of a terminal medical condition (where death is likely within 2 years[1])
- Permanent incapacity
- Severe financial hardship*
- Compassionate grounds*
- Reaching preservation age (transition to retirement income stream only)*
- Temporary incapacity*

* Limitations on access may apply to these conditions of release

[1] Announced in the 2015 Federal Budget

Concessional Contributions

Retirement on or after reaching preservation age. This age depends on the person's date of birth as shown in table below:

Date of Birth	Preservation Age
Before 1 July 1960	55
1 July 1960 to 30 June 1961	56
1 July 1961 to 30 June 1962	57
1 July 1962 to 30 June 1963	58
1 July 1963 to 30 June 1964	59
After 30 June 1964	60

The benefit of investing money for the longer-term in superannuation is that the earnings in the fund are taxed at a maximum of 15% which may allow savings to grow more quickly than if they were invested outside superannuation and taxed at personal marginal tax rates.

Step 2 – Eligibility to Contribute

Concessional contributions can be made for or on behalf of a person under age 65 regardless of whether they work or not. Between age 65 and 74 a work test needs to be met. This requires the person to have already worked at least 40 hours within a 30 consecutive day period in the current financial year. No contributions can be made once the person reaches age 75.

Step 3 – Contribution Limits (Caps)

Concessional contributions are taxed within a superannuation fund at a rate of 15% (an additional 15% is payable if adjusted taxable income exceeds $300,000 per annum).

The concessional contribution cap is currently $30,000 per annum, however a non-indexed cap of $35,000 applies from 1 July 2015 for people who were aged 49 or over on 30 June 2015. Whilst the base concessional contribution cap of $30,000 is indexed in line with movements in average weekly ordinary time earnings, indexation only occurs in $5,000 increments.

Where the concessional contribution cap is exceeded, in respect of contributions made after 30 June 2013, the excess contribution will be refundable by the superannuation fund and will be taxed at the taxpayer's marginal tax rate, plus an interest component. Excess concessional contributions that are not withdrawn from superannuation are also counted against a person's non-concessional contribution cap.

<u>Warning</u>

Responsibility for tracking the level of contributions rests with the member of the fund, and not with the superannuation fund.

Where any doubt exists regarding contributions made to superannuation (including premiums paid for life insurance policies held through superannuation) details should be checked with a financial adviser before making further contributions.

Concessional Contributions

Step 4 – Type of Contribution

Concessional contributions are contributions made to a superannuation fund that are not treated as a non-concessional contribution.

They generally include contributions made by an employer on behalf of an employee including Superannuation Guarantee contributions and contributions made under an effective salary sacrifice arrangement.

Personal contributions may also be treated as concessional contributions where the person making the contribution is eligible to claim a personal tax deduction for their contributions. Contributions made for the benefit of another person including contributions made for relatives (other than a spouse) and children over the age of 18, are treated as concessional contributions, whether or not the person making the contribution is eligible to claim a tax deduction for the contribution.

Concessional contributions form part of the taxable component of superannuation benefits that can be paid tax-free to a person who is over age 60, once the money becomes accessible.

Effective Salary Sacrifice Arrangement

The Australian Taxation Office has set out its requirements for an effective salary sacrifice arrangement. The basic requirements for a salary sacrifice arrangement to be effective include:

- The arrangement must be established before any work is performed that gives rise to remuneration. An arrangement established after work has been done may be regarded as ineffective
- There must be an agreement in place between the employer and employee. Preferably the agreement should be in writing
- The sacrificed salary must be permanently forgone for the period of the agreement

Government Low Income Superannuation Contribution

Where a person has adjusted taxable income of less than $37,000 the government will refund the contributions tax on the first $3,330 of concessional contributions. This provides a refund up to $500 per year. This is paid automatically into the superannuation fund and boosts the superannuation fund balance.

It also increases the tax-effectiveness of concessional contributions made by people on lower marginal tax rates.

Warning: The Government has introduced legislation to repeal the Low Income Superannuation Contribution with effect from 1 July 2017.