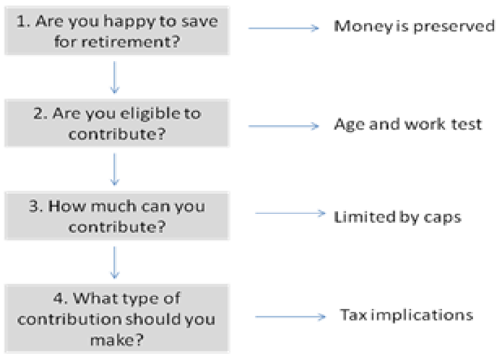
09/2015

Non-Concessional Contributions

A non-concessional contribution is a personal contribution made to a superannuation fund. This contribution can be made to the person's own account or on behalf of their spouse.

Before making a contribution 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 This means the money cannot be withdrawn until a condition of release (as specified in superannuation laws) is met.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.*

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

[1] Announced in the 2015 Federal Budget

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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

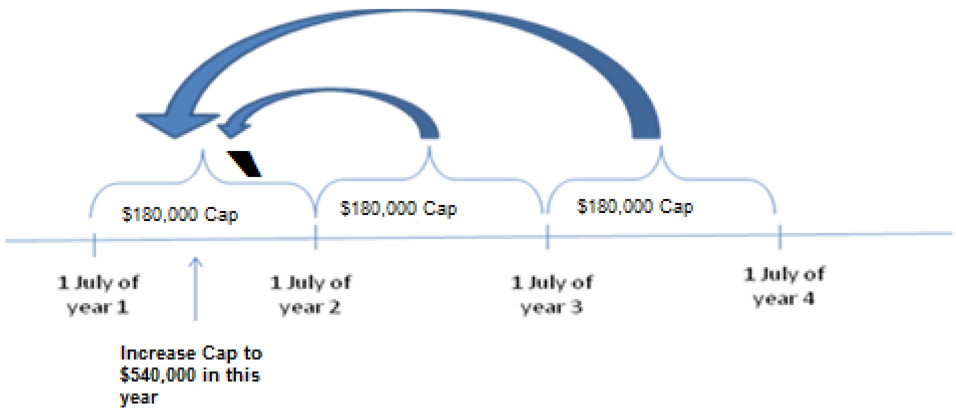
A non-concessional contribution can be made by a person under age 65 regardless of whether they work or not. Between age 65 and 74 a work test needs to be met. This requires the person to have already worked at least 40 hours within a 30 consecutive day period in the current financial year. No contributions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

If the person is making a spouse contribution, the above age and work tests apply to the receiving spouse, not the person making the contribution.

Step 3 – Contribution Limits (Caps)

Tax is not deducted by the superannuation fund from non-concessional contributions but the amount of these contributions is capped at $180,000 per financial year.

If the person for whom the contributions are made was under age 65 on 1 July of the relevant financial year the caps for the next two years may be brought forward and added to the current year cap so that up to $540,000 of non-concessional contributions can be made in a single financial year (bring-forward rule). Contributions across the three years should not exceed the $540,000 cap.



Non-concessional contributions that exceed the non-concessional contribution cap are taxed at 49%. The person is liable to pay the tax but must have it deducted from the superannuation fund.

Non-Concessional Contributions

Warning

The non-concessional cap can also include other amounts such as excess concessional contributions and transfers from foreign superannuation funds. The government co-contribution is not included.

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.

To help people avoid inadvertently breaching the cap, a superannuation fund is not able to accept a single personal contribution that exceeds $540,000 for a person under age 65 or $180,000 for a person age 65 or over. Contributions can however breach the cap if made as more than one contribution over the year.

Step 4 – Type of Contribution

A tax deduction cannot be claimed for a non-concessional contribution which also means that the superannuation fund does not deduct any tax from the contribution. The full amount is invested.

Personal after-tax contributions are an effective option to maximise the amount invested in superannuation. These contributions will also form part of the tax-free component. Once the money is accessible it can be paid tax-free to the person or their beneficiary/estate. Investment earnings on these amounts are added to the taxable component and tax may apply under age 60 or if paid to a non-death benefit dependent.

A non-concessional contribution may also qualify for tax concessions in the following situations:

Contributions made for a low income spouse

If the receiving spouse has adjusted taxable income below $10,800 the contributing spouse may qualify for a tax offset up to $540. The maximum offset is reduced for higher incomes until it cuts out at $13,800.

To qualify, both spouses must be Australian residents and the receiving spouse must be under age 65 or age 65-70 and have met the work test.

If eligible the offset is calculated at 18% of the non-concessional contribution made on behalf of the spouse up to the maximum offset of $540. For every dollar that the spouse's adjusted taxable income exceeds $10,800 the maximum offset reduces by one dollar.

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Government co-contribution

To be eligible for a government co-contribution a person must:

- Make a non-concessional contribution to superannuation
- Have adjusted taxable income below $50,454 (2015/16 threshold)
- Earn at least 10% of adjusted taxable income from employment or business activities
- Lodge a tax return for the financial year
- Be under age 71 at the end of the financial year
- Not hold a temporary visa (unless a New Zealand citizen)

The maximum co-contribution is $500 and is paid at the rate of 50 cents for each eligible $1.00 of non-concessional contribution. If the person's adjusted taxable income exceeds $35,454 the maximum co-contribution is reduced by 3.333 cents for each dollar of extra income. It cuts out when income reaches $50,454.

There is no need to formally apply for the co-contribution as eligibility will be determined when the income tax return is processed. If eligible it is paid directly into superannuation.

Adjusted taxable income is defined as assessable income plus reportable fringe benefits plus reportable employer superannuation contributions (generally the amount above superannuation guarantee).