

What are the limits on superannuation contributions 2019/20?

Superannuation rules limit the amount of money that you can contribute into the tax advantaged superannuation system.

Contributions which qualify for a tax deduction:

Concessional contributions (which include personal deductible contributions, employer super guarantee contributions and salary sacrifice contributions) are limited to \$25,000 per financial year.

In the 2019/20 financial year, if you didn't use up all of your \$25,000 concessional contributions cap for the 2018/19 financial year, you may be able to add the unused amount to your concessional contribution cap for the 2019/20 financial year.

To be eligible to access an increased limit, you must have less than \$500,000 in superannuation immediately before the start of the financial year. Going forward, you'll be able to roll unused concessional contribution cap amounts subject to a maximum rolling five year period.

Employees can now choose to either contribute to super via pre-tax salary sacrifice arranged with their employer or make personal contributions from after-tax salary and claim a deduction at the end of the year.

Please note if you are aged 65 to 74, you generally have to pass a work test to be eligible to contribute to super. The exception to this rule is if you have satisfied the work test in the previous financial year and your total superannuation balance at the beginning of the financial year is less than \$300,000. If you meet these two criteria you will be able to make voluntary contributions (personal and employer) into super without having to satisfy the work test. You cannot make personal contributions once you reach age 75.

Concessional contributions have 15% tax deducted by the superannuation fund. If you gain access and withdraw this money under age 60 further tax may be payable.

Contributions which do not qualify for a tax deduction:

You can make personal non-concessional contributions to super (i.e. contributions for which you do not claim a tax deduction) provided you have less than the transfer balance cap which is currently \$1.6 million.

The limit for non-concessional contributions is \$100,000 per financial year.

However, if you are under age 65 and have less than \$1.4 million in super at the beginning of the financial year, you can bring forward up to two years of non-concessional contributions to contribute

up to \$300,000 in the current financial year, assuming you have not triggered the 'bring forward' provision in the previous two financial years.

If you use the 'bring forward' provision, you cannot contribute more than the combined \$300,000 limit over those three years.

Modified limits apply if your balance is between \$1.4 and \$1.6 million.

Non-concessional contributions are not taxed in the fund and once accessible, can be withdrawn tax-free.

Rolling money to an income stream:

The maximum amount of superannuation that can be used to fund a tax-free retirement phase pension is restricted to a balance cap of \$1.6 million per person.

If you have more than this limit saved in superannuation the balance will need to remain in the accumulation phase.

The Low-Income Superannuation Tax Offset (LISTO):

If you have adjusted taxable income less than \$37,000 p.a. and at least 10% of your income comes from employment or business activities, you may qualify for the low-income superannuation tax offset. This effectively refunds up to \$500 of tax deducted from concessional contributions (15% on first \$3,333 of contributions).

This is refunded directly to your superannuation fund to boost your savings.

The Government co-contribution:

If you have at least 10% of your income from employment or business activities and less than \$1.6 million in super you may qualify for a government co-contribution.

The co-contribution is paid at 50% of eligible non-concessional contributions up to a maximum co-contribution of \$500. You will cease to be eligible for any co-contribution if your income exceeds \$53,564 p.a.

Catch up concessional contributions

You may contribute more than the general concessional contributions cap. To be eligible, you must have a total superannuation balance of less than \$500,000 on 30 June of the previous financial year and unused concessional cap amounts accrued from 1 July 2018 onwards.

These carry forward unused amounts are available for a maximum of five years and after this period, will expire.

Spouse contributions:

If your partner’s relevant income is \$37,000 or less, they have less than \$1.6 million in super and have not exceeded their non-concessional cap for the year, you could qualify for a tax offset of up to \$540 on the first \$3,000 you contribute to superannuation for them from your after-tax income. The available tax offset reduces as your partner’s income increases above \$37,000 p.a. and phases out when their income reaches \$40,000 p.a.

Concessional contributions for high income earners:

If your income plus concessional contributions (within cap limits) exceed \$250,000, you will be charged an additional 15% tax on the contributions that take your income above the \$250,000 threshold.

Downsizer contributions

If you are age 65+ you are able to contribute up to \$300,000 to superannuation from the sale proceeds of your principal residence. You can only use this for one home and the home must have been owned for at least 10 years. A couple may contribute up to \$300,000 each.

Downsizer contributions are non-concessional contributions and do not count towards the contribution limits. You can also make the contributions at any age (above age 65) without needing to meet a work test.

Penalties for exceeding contribution caps:

Excess concessional contributions are taxed at your marginal tax rate, plus a tax penalty on the interest component. You can elect to withdraw up to 85% of your excess contributions, or leave the amount in your fund, where it will also be counted against your non-concessional contributions cap.

Excess non-concessional contributions are taxed at 45% (plus Medicare) unless you withdraw the excess amount plus 85% of associated earnings. The associated earnings are taxed at your marginal tax rate.

Age limits for superannuation contributions

In addition to contribution limits, there are also age limits on contributing to superannuation.

Your age at time of contribution	Member contributions		Employer contributions	
	Personal contributions	Contributions made by someone other than member or employer (eg spouse contributions)	Voluntary (eg salary sacrifice)	Mandated (eg superannuation guarantee)
Under age 65	Contributions can be made at any time	Contributions can be made at any time	Contributions can be made at any time	Contributions can be made at any time
65 to 69*	Only if work test is satisfied^ (unless a downsizer contribution)	Only if work test is satisfied^ (unless a downsizer contribution)	Only if work test is satisfied^	Contributions can be made at any time
75+	Only downsizer contributions*	No	Only if work test is satisfied^	Contributions can be made at any time

*For downsizer contributions, you must be at least age 65 at the time of the contribution with no upper age limit

^You meet the work test if you have been gainfully employed for at least 40 hours in a period of not more than 30 consecutive days in the financial year in which the contribution is made.

New exemption from work test

Individuals aged 65 to 74 with total superannuation balances below \$300,000 can make voluntary contributions (both member and employer) to their superannuation for 12 months from the end of the financial year in which they last met the work test.

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