

Superannuation Contribution Caps

1. Introduction

There are significant tax concessions provided on contributions paid to superannuation funds. To limit the extent of these concessions, superannuation law places caps on the amounts that can be contributed each year. This article introduces two important concepts: the concessional contribution cap and the non-concessional contribution cap.

2. Concessional and Non-Concessional Contribution Caps

Concessional contributions are contributions made from before tax income and include (but are not limited to) compulsory superannuation guarantee contributions made by your employer, salary sacrifice contributions and personal contributions where an income tax deduction is claimed. These contributions are taxed in your super fund at 15%.

Non-concessional contributions are contributions made from after tax income and include (but are not limited to) personal contributions made by you or your spouse for which no income tax deduction is claimed and any concessional contributions that exceed your concessional contribution cap.

The amounts of the caps are summarised in the table below:

Tax Year	Non-Concessional Contributions Cap	Concessional Contributions Cap	
		Amount of General Cap	Higher Cap for Older Taxpayers
2015/16	\$180,000	\$30,000	\$35,000 ^a
2014/15	\$180,000	\$30,000	\$35,000 ^a
2013/14	\$150,000	\$25,000	\$35,000 ^b
2012/13	\$150,000	\$25,000	-
2011/12	\$150,000	\$25,000	\$50,000 ^c
2010/11	\$150,000	\$25,000	\$50,000 ^c
2009/10	\$150,000	\$25,000	\$50,000 ^c
2008/09	\$150,000	\$50,000	\$100,000 ^c
2007/08	\$150,000	\$50,000	\$100,000 ^c

Notes:

^a The member must be 49 years or older on 30 June in the previous tax year.

^b The member must be 59 years or older on 30 June 2013.

^c The member must be over 50 or reach age 50 during the relevant tax year.

3. The Bring-forward Rule

If you are aged 64 or less on 1 July, you can use the bring-forward rule to make non-concessional contributions of up to 3 times the non-concessional cap in the current financial year. If you trigger the bring-forward rule, then your total non-concessional contributions cap in the current and next two financial years would be limited to 3 times the non-concessional cap in the year the bring-forward rule is triggered.

For example, you could use the bring-forward rule to contribute up to \$540,000 (ie. 3 times \$180,000) in 2015/16. If you contributed the full \$540,000 in 2015/16, then you could not make any concessional contributions within the cap in 2016/17 or 2017/18. If you contributed more than \$180,000 but less than \$540,000 in 2015/16, you could still make further contributions within the non-concessional cap in 2016/17 and 2017/18, provided the contributions totalled no more than \$540,000 over the three years.

4. Exceeding the Contributions Caps

If your contributions in a tax year exceed the contribution caps, then additional taxes or penalties may apply.

For contributions in excess of the caps made in the 2013/14 and more recent tax years, you have the choice to ask your super fund to refund your excess contributions. If you take advantage of this choice, then the consequences of breaching the caps generally involve some administrative inconvenience and a relatively modest financial penalty. However if you don't act to take advantage of the choice to have the excess contributions refunded, there may be significant additional taxes payable. For contributions in excess of the caps made in the 2012/13 and earlier tax years, significant additional taxes were generally payable.

5. Other matters

The concessional contribution cap is usually indexed in line with the average weekly ordinary time earnings (AWOTE). However, the cap is only changed when the indexation takes it above the next \$5,000 increment, as happened in the 2014/15 tax year. The non-concessional contributions cap is set at 6 times the concessional contributions cap. Therefore for the 2014/15 tax year it has been increased from \$150,000 to \$180,000, in line with the increase in the concessional contributions cap.

The higher concessional cap for older taxpayers is not indexed, so when the general cap reaches \$35,000, there is not expected to be an increase in the higher cap for older taxpayers.

The contribution caps are applied on a per-member basis, which means that if a member is in two or more superannuation funds the caps apply to the aggregate contributions paid by or for that member.

Finally, note that the information in this article does not cover every aspect of the rules around the contribution caps, superannuation contributions, or superannuation taxes. The caps on superannuation contributions are a complex area and you should seek appropriate professional advice before acting on the information in this article.

The information provided in this document is not financial product advice. It does not take into account your specific circumstances or needs. While Verus SMSF Actuaries has taken care to ensure that the information is accurate you should seek appropriate professional advice before acting on any of the information provided.

Updated May 2016