



A GUIDE TO SUPER CONTRIBUTIONS

Super is a great way to save for your retirement as contributions and withdrawals are taxed at a concessional rate. But you have to meet certain conditions to be able to contribute - and there are limits to how much you can contribute.

Are you eligible to contribute?

Age	Conditions you must meet
Below 65	<ul style="list-style-type: none">You can contribute whether or not you're working
65-69	<ul style="list-style-type: none">You have been gainfully employed for at least 40 hours in a period of not more than 30 days in that financial year; orContributions are mandated (award or SG)
70-74	<ul style="list-style-type: none">You make the contributions and you have been gainfully employed for at least 40 hours in a period of not more than 30 days in that financial year; orContributions are mandated (award)
Age 75 +	<ul style="list-style-type: none">Contributions must be mandated (award)

Deducted contributions

Deducted contributions are those contributions made into your super fund for your benefit, and for which someone has claimed a tax deduction. Typically, these will include employer superannuation guarantee contributions, salary sacrificed contributions and contributions you have made for which you're entitled to (and have claimed) a tax deduction.

There is a cap on the level of deducted contributions (also known as 'concessional' contributions) which are taxed concessionally.

For most people, this cap is \$50,000 per annum. But if you're over 50, the cap is \$100,000 per annum until 30 June 2012.

Any concessional contributions up to the level of this cap are taxed at the rate of 15% and this tax is paid by the super fund.

If you exceed this cap in a particular year, the excess contributions over the cap will be taxed at an additional 31.5% and the tax bill for this will be sent to you. You will be allowed to withdraw money from your super fund to pay this liability.

Undeducted contributions

Contributions you make to a super fund for which you are not entitled to a deduction are called undeducted (or 'non-concessional') contributions. This includes contributions made by:

- An employee who receives employer super support (for example, additional personal contributions)
- A spouse
- A self-employed person who doesn't claim a tax deduction for the contribution

Advantages of undeducted contributions

- No 15% contribution tax.
- Earnings are taxed at a maximum rate of 15%
- When you access your super in the future, any undeducted contributions are returned to you tax-free, whether as part of a lump sum payment or over time if part of a pension.

Limits for undeducted contributions

There is a \$150,000 limit on the level of undeducted contributions you can make to super each year. However, if you're under 65 during the income year, you can take advantage of an 'averaging rule' to contribute up to three years' worth of undeducted contributions (or \$450,000) in one year – but you won't be able to contribute any more in the next two years.

If you make undeducted contributions in excess of this cap, you'll be liable for tax on the excess contributions at the rate of 46.5%. As for excess deducted contributions, you'll receive the tax bill for this but you must withdraw funds from your super to pay it.

Spouse contributions

Making undeducted contributions to your spouse's super can be a very effective strategy to reduce, or even eliminate, the amount of tax you pay on that income in retirement and equalise retirement income between you and your spouse.

Definition of 'spouse'

A spouse includes both, a legal and de facto husband or wife. A de facto spouse must live with you on a genuine domestic basis as a husband or wife.

Separated couples (even if legally married) don't satisfy the definition of spouse and can't make a spouse contribution unless the couple is separated because one of them is in hospital.

There is currently no provision for same-sex relationships.

Conditions for making spouse contributions

Your spouse must be under 65. If they are between 65 and 70, you can only contribute to their super if they have been gainfully employed for at least 40 hours for a consecutive 30-day period during the financial year.

You can be of any age and don't have to be working, but you must be earning at least \$1 of income to be eligible for a spouse contribution rebate.

If your spouse's total combined income (assessable income plus reportable fringe benefits) is less than \$13,800, you may claim a rebate of up to \$540 for the contributions you make to your spouse's super. The rebate is the lesser of:

- $(\$3,000 - [\text{spouse's total income} - \$10,800]) \times 18\%$
- The spouse contribution $\times 18\%$
- \$540

Contributions you claim a tax rebate for will be classed as undeducted contributions and no tax will be deducted from them, but your spouse won't be able to withdraw them until they satisfy the conditions for accessing super.

A spouse that's never been gainfully employed can't access their super benefits before age 65 as they don't satisfy the 'retirement' condition of release.

Government Co-contribution

The Government contributes up to \$1.50 for each \$1.00 of personal contribution you make. If your total income is under \$28,980 and you make personal contributions of \$1,000, you'll receive the maximum co-contribution of \$1,500. This reduces by 5 cents for every \$1 of your total income above \$28,980.

You will be eligible to receive the co-contribution if:

- You make a personal super contribution to a complying fund
- Your total income (assessable income plus reportable fringe benefits) is less than \$58,980
- 10% or more of your total income is from eligible employment or self employment
- You are not a temporary resident at any time during the year, and
- You are under 71 at the end of the financial year.

Things you should consider

This publication provides an overview or summary only and it shouldn't be considered a comprehensive statement on any matter or relied upon as such.

This publication doesn't take into account your personal objectives, financial situation or needs. It's important for you to consider these matters before making any financial decision and we recommend you seek help from a financial adviser.