

# Super contributions - too much super can mean extra tax

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Employees could find themselves losing substantial amounts of their superannuation contributions if they do not manage their contributions effectively and ensure that they are within their concessional contribution cap.

## Summary

Contributions to employees' superannuation funds are taxed at a concessional rate of 15%. Typically this rate is lower than the employees top marginal tax rate but only applies for superannuation contributions less than \$25,000 per annum for employees under 50 years and \$50,000 for employees over 50 years. Contributions over that amount are taxed at 46.5%. This is a significant amount and employees need to avoid exceeding the limit.

## What Super is included in the calculation ?

All super components except post tax super contributions. This includes Super Guarantee Contributions, Salary Sacrifice amounts and Employer Additional contributions beyond the 9%.

## What are the caps for the age groups ?

For employees under 50 years of age at 30<sup>th</sup> of June 2010 the concessional cap amount is \$25,000 for contributions paid between 1<sup>st</sup> July 2009 and 30<sup>th</sup> June 2010. For employees over 50 years on 30<sup>th</sup> June 2010 the amount of the concessional cap is \$50,000.

## What happens if the concessional contributions cap is exceeded?

If an employee finds that their superannuation contributions are exceeded then their superannuation fund will, at the instigation of the Tax Office, apply the tax to those contributions in excess of the cap. Employees will not need to pay tax out of their earnings nor will it increase the tax obligations of the employer.

## What should you do if you are approaching the cap ?

If an employee is approaching the contributions cap for the year then they should seek to minimise the payment of their contributions for the remainder of the year. This can be done by doing one or both of the following:

- Suspending any salary sacrifice amounts that might otherwise have been paid. The employer is still obliged to make the 9% Super Guarantee contribution up to \$40,170 per quarter or \$160,680 per annum.
- Delaying payment of the super to after June 30<sup>th</sup> but before July 28<sup>th</sup> in which case the amounts will be added to the contributions for the next financial year to determine whether the cap has been exceeded.

## Will the cap amounts remain the same for next year ?

No the \$25,000 and \$50,000 cap amounts will be indexed based on the average weekly ordinary time earnings. The tax office will publish the amount in July.

## To find out more

If you would like to get more details on how the Superannuation Cap works visit:

<http://www.ato.gov.au/superfunds/content.asp?doc=/content/00106372.htm&page=1&H1>

or consult your financial planner.