Superannuation – Non-concessional contributions

Making non-concessional (after tax) contributions into superannuation increases your retirement savings and your tax-free component.

Benefits

- Investing in superannuation boosts your savings to help meet your retirement goals.
- The rate of return inside superannuation may be higher after-tax than investing outside superannuation. This is because earnings inside superannuation are taxed at a maximum rate of just 15%, whereas earnings from non-superannuation investments are generally taxed at your marginal tax rate. This helps your savings to grow faster.
- Your tax-free component will increase. This amount can be withdrawn tax-free (subject to preservation rules).
- The tax-free component is tax free if paid as a lump sum death benefit to any of your dependants (even adult children). This can increase the amount payable to your family or estate.
- Depending on your income for the year and satisfying eligibility requirements, the Government may contribute $0.50 for every $1.00 of non-concessional contributions you make, up to a maximum of $500.
- Department of Human Services/Department of Veterans' Affairs entitlements may increase if you are under Age Pension age (or under age 60 if a veteran) due to exemptions on the assessment of superannuation.

How it works

To be eligible to contribute to superannuation, you must meet the contribution rules. This generally means you need to either be:

- under age 65
- age 65-74 and have met the work test, or
- age 65 – 74 and meet the requirements for the work test exemption.

The work test requires that you have worked at least 40 hours over a consecutive 30 day period in the financial year the contribution is made. The work test exemption provides a one-year relief from the work test for recent retirees. It is available if:

- you met the work test in the financial year immediately prior
- your total superannuation balance is less than $300,000 as at the prior 30 June, and
- you have not previously utilised the exemption (i.e. can only be applied once in your lifetime).

Contributions must generally be accepted no later than 28 days after the month in which you turn 75.

Non-concessional contributions are made from after-tax income and may include:

- personal contributions where you have not claimed an income tax deduction
- after-tax salary that you have requested your employer to direct into superannuation on your behalf

- spouse contributions
- contributions in excess of your capital gains tax (CGT) cap from business assets
- most transfers from foreign superannuation funds.

Non-concessional contributions (NCC) do not include superannuation guarantee (SG) contributions, salary sacrifice or certain contributions resulting from personal injury payments. However, excess concessional contributions that you elect to retain in superannuation will count against your NCC cap.

Non-concessional contributions form part of the tax-free component of your superannuation account, which is tax-free when withdrawn from super, even whilst you are under age 60 (subject to meeting preservation rules).

Non-concessional contribution caps

There is a cap on how much you can contribute as a non-concessional contribution each year. The non-concessional contribution cap for 2019/20 is $100,000.

The 'bring-forward' rule effectively allows you to bring forward up to an additional two years' worth of non-concessional cap and add it to the current year's cap. If eligible, you may be able to contribute up to $300,000 over the three year period. The total bring-forward amount you're able to trigger will reduce if your total superannuation savings are at least equal to $1.4 million on the 30th of June prior to the financial year in which you trigger the bring-forward rule.

The bring-forward rule is automatically triggered if you're eligible and make non-concessional contributions in a financial year that exceed your annual non-concessional limit. Once triggered, your non-concessional contribution cap will not be indexed for the next two years. In addition, you must have total superannuation savings of less than $1.6 million at 30 June to be eligible to make any non-concessional contributions in the following year.

If your total superannuation balance is over $1.4 million at the previous 30 June, additional restrictions may apply to the maximum amount you can contribute. These rules are complex so it is important that you get advice.

If you exceed your NCC cap, the excess contribution may be withdrawn from superannuation, along with any associated earnings within 60 days of the excess being determined by the ATO. The associated earnings will be included in your assessable income and taxed at your marginal tax rate. If you do not make the election to withdraw within 60 days, the excess contribution will be taxed at 47%.

Risks and Consequences

- All contributions to superannuation are preserved until you meet a condition of release. You need to be sure that you do not need access to the amount contributed until you meet a condition of release, such as retirement after your preservation age.
- If you exceed your NCC cap excess contribution significant tax penalties may apply.
- Excess concessional contributions that you elect to retain in super count towards your NCC cap which may reduce your capacity to make additional NCCs.
- You will not be eligible to make non-concessional contributions if your total superannuation savings exceed the general transfer balance cap of $1.6 million (current for 2019/20) or more as at 30 June of the previous year. Total superannuation savings include your

accumulation accounts, retirement income streams, in transit rollovers and may also include certain limited recourse borrowing arrangements in self-managed superannuation funds.

- Fees may be charged for your superannuation contributions. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.
- The Government may change superannuation legislation in the future.

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