MERCER
MAKE TOMORROW, TODAY

GROW YOUR SUPER

Don’t overdo it

Super provides some excellent tax benefits and concessions designed to help Australians contribute to their retirement savings while they’re working.

You can contribute as much as you like, but there are limits to how much you can contribute at concessional tax rates.

These limits are known as contributions caps and if you contribute more than the cap you might have to pay extra tax. Contribution caps apply to all contributions made to your super within a financial year, including:

- Before-tax (concessional) contributions; and
- After-tax (non-concessional) contributions.

Monitoring your contributions

Mercer Super customers can monitor their contributions:

- Online at **mercersuper.com** (after logging into your account), or
- Calling us on **1800 682 525**.

Before-tax (concessional) contributions:

Before-tax contributions (including contributions made by your employer under the Super Guarantee scheme) are generally taxed at a rate of **15%**, which is much lower than income tax for most people.

If you earn $250,000 or more per year your super contributions are taxed at 30% (rather than 15%), still considerably lower than the highest income tax rate.

If your income excluding concessional contributions is less than $250,000, the additional tax only applies to the part of your concessional contributions that take your income over the $250,000 threshold.

You will receive an assessment notice from the Australian Taxation Office (ATO) if you need to pay this tax.

For the 2017/18 financial year, the before-tax (concessional) contributions cap is **$25,000** (for all ages).

After-tax (non-concessional) contributions:

After-tax contributions are those you make from your take-home pay. Because you’ve already paid income tax on this amount, you don’t pay any contributions tax. However, any investment earnings from these contributions are taxed at 15%; lower than the rate you would likely pay on investment earnings outside super.

For the 2017/18 financial year, the after-tax (non-concessional) contributions cap is **$100,000** for everyone.

Special rules will apply from 1 July 2017 if you triggered the bring-forward provisions in the 2015/16 or 2016/17 financial year due to the reduction of the after-tax contribution cap.

Refer to the Australian Taxation Office website ato.gov.au for more information about these rules.

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Before-tax (concessional) contributions:

Common contribution caps and what to keep track of:

- Employer contributions (including compulsory superannuation guarantee, voluntary employer contributions and salary sacrifice) from all employers;
- Employer paid expenses (if applicable to your category in your super plan, e.g. if your employer pays member fees and insurance premiums on your behalf);
- Personal contributions to super for which you have claimed a tax deduction;
- Certain allocations from reserves of a superannuation plan; and
- Notional taxed contributions if you are a defined benefit super fund member.

What happens if you go over the cap?

Any contributions above the cap will be added to your assessable income for the year and taxed at your marginal rate. A 15% tax offset will be allowed for tax already paid within the fund. You have the option of paying this tax yourself or to have it paid out of your super account.

The Australian Taxation Office (ATO) will determine whether you have gone over the cap and will notify you if you need to pay additional tax.

The excess before-tax contributions (if not refunded) are also counted towards your after-tax (non-concessional) contributions cap.

Everyone is able to claim a tax deduction for after-tax personal contributions, and such contributions will count as concessional contributions.

After-tax (non-concessional) contributions:

Common non-concessional contributions include:

- Personal contributions for which a tax deduction is not claimed;
- Spouse contributions (for the receiving spouse);
- The tax free part of an amount transferred from a foreign super fund;
- Contributions in excess of the concessional contributions cap; and
- Some amounts transferred from reserves.

Bringing forward

If you are under 65 at the beginning of the financial year with a total super balance of less than $1.4 million you can bring forward another two years of after-tax contributions and contribute up to $300,000 in one financial year. This means you will not be able to make any more after-tax contributions for another two years. If you do, you will be subject to excess tax. If your total super balance is between $1.4 - $1.5 million, then only one year can be brought forward, for a total contribution of $200,000.

If you are under 65 and contribute more than $100,000 in one financial year you will automatically trigger the bring-forward rule if eligible.

From 1 July 2017, if your total superannuation balance is $1.6 million or more, you will not be eligible to make non-concessional contributions. And if your super balance is greater than $1.5 million you cannot apply the bring forward rules.

The bring-forward rule may be worth considering if you are thinking of selling assets and transferring the proceeds into your super, or if you want to invest an inheritance.

What happens if you go over the cap?

If you go over the cap, your excess contributions will likely attract a penalty tax of 47% (2017/18) on top of the income tax you've already paid. Excess after-tax contributions can be withdrawn, along with any 'associated earnings'. The 47% additional tax will not apply if you elect to make this withdrawal.

The ATO will determine whether you have gone over the cap and will notify you if you need to pay additional tax.

To find out about contribution caps for Defined Benefit (DB) please visit:
mercersuper.com/defined-benefit

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