Contributing to super

1 July 2021 (updated annually)

Superannuation is arguably the most tax-effective way to save for your retirement, as contributions and withdrawals are taxed at a concessional rate. But with so much jargon about the different methods of contribution limits and restrictions, it can be hard to know what's best for you. We have put together a guide on the most common types of super contributions.

Are you eligible to contribute?

Before we can go any further, it's important to understand whether you are eligible to make contributions to your super.

Age	Personal[2,3] contribution	Employer[2] contribution	Spouse[3] contribution
Under 67	• Contribution allowed • May be tax deductible[4] • Co-contribution available[5]	• 100% tax deductible	• Spouse contribution rebate may be available • No co-contribution
67 to 69	• Must be gainfully employed for at least 40 hours within a period that is no more than 30 consecutive days during financial year of contribution or meet the work test exemption[1] • May be tax deductible[4] • Co-contribution available[5]	• Super guarantee (SG) and industrial award or agreement allowed • Salary sacrifice/other employer contributions: Must be gainfully employed for at least 40 hours over a period not more than 30 consecutive days during financial year of contribution • 100% tax deductible	Contribution allowed provided recipient spouse has been gainfully employed for at least 40 hours over a period of not more than 30 consecutive days during financial year of contribution or meet the work test exemption[1]
70 to 74	• Must be gainfully employed for at least 40 hours over a period not more than 30 consecutive days during financial year of contribution or meet the work test exemption[1] • May be tax deductible[4] • No co-contribution if age 71+ at the end of the financial year.[5]	• Super guarantee (SG) and industrial award or agreement allowed • Salary sacrifice/other employer contributions: Must be gainfully employed for at least 40 hours over a period not more than 30 consecutive days during financial year of contribution • 100% tax deductible	Contribution allowed provided recipient spouse has been gainfully employed for at least 40 hours over a period of not more than 30 consecutive days during financial year of contribution or meet the work test exemption[1]
		• Award/industrial agreement only	

Age	Personal[2,3] contribution	Employer[2] contribution	Spouse[3] contribution
75 and over	Not allowed	• 100% tax deductible • SG payable	Not allowed

1. A work test exemption allows personal and employer contributions to be accepted where the client has met the work test in the previous financial year and their total super balance is below $300,000 as at 30 June in the prior year (one use only).
2. Excess concessional contributions made from 1 July 2013 are effectively taxed at your marginal tax rate. You also can withdraw 85 per cent of your excess concessional contributions.
3. Individuals are allowed the option of withdrawing excess non-concessional contributions made from 1 July 2013 (and associated earnings), with these associated earnings to be taxed at the individual's marginal tax rate. For spouse contributions, non-concessional cap of the recipient spouse is relevant.
4. Eligibility criteria apply.
5. Subject to eligibility rates.

Types of contributions

1. Concessional contributions

Concessional contributions are contributions made into your super fund for your benefit, and which have generally been claimed as a tax deduction, by you or your employer. Typically, these will include employer SG contributions, salary sacrifice contributions and contributions you have made for which you have claimed and are entitled to a tax deduction.

Limits on concessional contributions

Because of the tax concessions there is a limit on the amount of concessional contributions you can make.

This cap is $27,500 per annum.

If you make a concessional contribution it will be taxed at a maximum rate of 15 per cent, and this tax is paid from your contribution (ie with no out of pocket expense for you). Additional 15% tax may apply for individuals with incomes over $250,000 pa.

Excess concessional contributions made from 1 July 2013 are taxed at your marginal tax rate. You also can withdraw 85 per cent of your excess concessional contributions.

If you earn less than $37,000 you may be eligible for the low income superannuation tax offset (LISTO) from the Government. The LISTO refunds the 15 per cent contributions tax paid on your SG contributions, any salary sacrifice and personal deductible contributions you make, up to $500.

Carry forward concessional contributions
From 1 July 2018, if a person’s concessional contributions in an income year are less than the standard concessional contribution cap, they can carry forward the unused cap amount for up to five income years. Since 1 July 2019, where the person’s total super balance is less than $500,000 as at 30 June in the previous financial year, they may use their accrued unused concessional contributions cap in addition to the current year’s cap.

2. Non-concessional contributions

These are contributions you make a super fund for which you have not claimed a personal tax deduction.

Non-concessional contributions can include contributions made by:

- you with after-tax money where a deduction has not been claimed, or
- a spouse

Advantages of non-concessional contributions

A non-concessional contribution is made with after tax money and therefore, offers the following benefits:

- There will be no tax on contributions.
- The earnings on your investment will be taxed at a maximum rate of 15 per cent and tax free in retirement phase.

- When you access your super in the future, any non-concessional contributions will be returned to you completely tax-free, either as part of a lump sum payment or over time as part of a pension.
- By making a non-concessional contribution you may qualify for a super co-contribution from the Government.

Limits for non-concessional contributions

There is a limit on the level of non-concessional contributions you can make to super each financial year. The current limit is $110,000 pa. However, individuals who have accumulated at least $1,700,000 in total super assets at the end of the previous financial year cannot make non-concessional contributions.

If you are under 67 at the start of the financial year, you can take advantage of the averaging rule to bring forward up to two additional years worth of non-concessional contributions and contribute up to $330,000 in one year. This may come in handy for those who receive a financial windfall such as an inheritance or the sale of a large asset. But be aware that if you contribute the maximum amount, you may not be able to contribute any more for up to two financial years.

For individuals with higher super balances, access to the bring-forward provisions is restricted based on their total super assets at 30 June of the previous financial year as shown below.

If your total super balance is between...	Your maximum contribution is...	Which accounts for the contribution caps in...
$0 and $1,480,000	$330,000	The current year plus the following two financial years
$1,480,000 and $1,590,000	$220,000	The current year plus the following one financial year
$1,590,000 and $1,700,000	$110,000	The current year only

From 1 July 2013 excess non-concessional contributions can be released. To obtain a release you will have to wait for the ATO to issue you with an excess non-concessional contribution determination and you have 60 days to let the ATO know what you want to do. A notional amount of investment earnings on those funds will be taxed within your annual income tax return. If excess non-concessional contributions are not released these are taxed at 47%.

3. Spouse contributions

Making non-concessional contributions to your spouse's super fund can be an effective strategy to reduce, or even eliminate, the amount of tax you pay. This strategy can also assist in equalising the level of retirement savings that you and your spouse have.

What is the definition of spouse?

The term spouse includes both a husband or wife in either a legal or a de facto relationship (includes same-sex couples). A de facto spouse must live with you on a genuine domestic basis. Separated couples (even if legally married) don't satisfy this definition of a spouse and can't make a spouse contribution.

Conditions for making spouse contributions

To make a spouse contribution without having to meet further conditions, your spouse must be under 67.

If they are between 67 and 74, you can only contribute to their super if they have been gainfully employed for at least 40 hours in not more than a consecutive 30 day period during the financial year unless they met the work test last financial year and their total superannuation balance at the end of last financial year was less than $300,000.

You, as the contributing spouse are not subject to any conditions and, while you don't have to be working, generally you would have sufficient taxable income to utilise the spouse contribution rebate.

If your spouse's total combined income (assessable income plus reportable fringe benefits) is less than $40,000, you may claim a tax offset up to $540 for the contributions you make to your spouse's super. The rebate amount that you are entitled to is the lesser of:

- the spouse contribution x 18%, or
- [$3,000 - (total income - $37,000)] x 18%.

Your spouse won't be able to withdraw the funds until they satisfy a condition of release to access their super.

If your spouse has never been gainfully employed, they generally cannot access their super benefits before age 65 because they would not be able to satisfy the retirement condition of release.

4. Government's super co-contribution

The Government's super co-contribution is an initiative aimed at encouraging Australians to invest more for their retirement.

Under this scheme, for every dollar you contribute, the Government will match it with a co-contribution of $0.50. If your total income is under $41,112 and you make personal contributions of $1000, you'll receive the maximum co-contribution of $500 in a financial year. This amount reduces by 3.333 cents for every dollar of your total income above $41,112and cuts off at $56,112.

You are eligible to receive the super co-contribution if:

- you make a personal after-tax super contribution to a complying fund
- your total income (assessable income plus reportable fringe benefits + salary sacrifice to super) is less than $56,112
- 10 per cent 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 aged under 71 at the end of the financial year.

Ask your Bridges financial planner for more information.