

QFACT

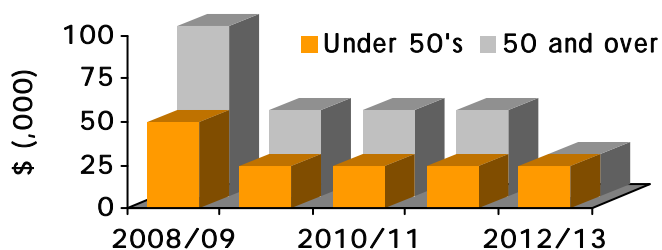
SUPER CONTRIBUTIONS

Recent changes to superannuation contribution rules could have significant consequences if you're looking at ways to top up your super. This QFact looks at contributions made before tax (**concessional contributions**) and after tax (**non-concessional contributions**), both of which have specific issues and rules to consider.

Concessional contributions

Contributions made into super via salary sacrifice, by an employer or by personal contributions where a tax deduction can be claimed are called concessional contributions.

From July 2009, the amount that can be contributed in a financial year as a concessional contribution has been halved. Those aged 50 and over can contribute up to \$50,000 per year as a concessional contribution until July 2012. After that date the amount will be halved to \$25,000. Those aged under 50 can now only contribute \$25,000 per annum. See diagram below. For more detailed information refer to QSuper's Personal Contributions Guide available at www.qsuper.qld.gov.au.



Financial year

Strategy consequences

Concessional contributions to your super are taxed at 15%. For most wage and salary earners this rate provides a significant advantage when compared with personal marginal tax rates.

It's important to plan and develop a strategy which takes advantage of these rules, in particular the higher contribution levels available to over 50's until July 2012.

TIPS AND PITFALLS

It's important to remember that employer contributions count. Many people will forget this, which could mean they exceed the contribution limits.

Before tax contributions which breach these new rules (exceed the limits) will face an additional tax of 31.5%.

In addition, contributions over the limit will also count towards the non-concessional contributions cap (see over).

If you need to review your contributions you can make changes throughout the financial year, but don't leave it too late. If you are salary sacrificing and have already reached your limit you will pay the additional tax.

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Non-Concessional contributions

Funds deposited into superannuation after-tax are called non-concessional contributions. These don't attract any further tax, so long as they are within the prescribed limits.

The limits for non-concessional contributions were changed in July 2007. For those able to contribute to superannuation after tax, the limit is currently \$150,000 per year for all superannuation funds.

If you are aged under 65, two further years' contributions can be brought forward allowing up to \$450,000 worth of contributions in one year or this amount spread across the three year period.

If aged between 65 and 75 a work test has to be met every year before any further contributions can be made to superannuation. The ability to bring forward future year's non-concessional contributions is lost and no more than \$150,000 can be contributed in a financial year after age 65.

The year a person turns 65 can make working out contribution options complicated. This is where professional advice can help.

Strategy consequences

Lump sum after-tax contributions to superannuation can be effective for a number of reasons. Funds could result from the sale of an asset, an inheritance or from savings. Because non-concessional contributions are limited, the strategy used may need to be planned well in advance and be spread over a number of years to ensure limits are not breached.

If not working after age 65, no further contributions (both concessional or non-concessional) can be made. The table to the right highlights some examples of how contributions could be made over three years (taking into account the introduction of these limits in 2007) for a person below age 65.

TIPS AND PITFALLS

The consequences of getting these contributions wrong will be tax at the rate of 46.5% for the amount over the limits. This tax is in addition to any tax the individual paid to acquire the funds in the first instance.

It is important to remember past contributions to all superannuation funds over the previous three years. There is only one limit in total. The limits are individual and a couple will have their own limits.

2007/08	2008/09	2009/10
\$150k	\$150k	\$150k
\$450k	nil	nil
\$200k	Additional \$250k in total over the two years	

Help is available

Q Invest can assist with personal strategies and help to keep you on track with your retirement plans. Call us on 1800 643 893 to make an appointment or visit www.qinvest.com.au for further information.