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Have a super end of financial year

Maximising your super contributions during May and June can have a number of positive financial effects, but make sure you know your limits.

As the end of financial year draws near there is a lot to be potentially gained from a quick analysis of your superannuation contributions. Topping up before July 1 can serve a number of purposes. But how much can you contribute to super as concessional contributions without additional tax applying, and why may it help to maximise your deposits before EOFY?

Let's start with limits. For most Australians, concessional superannuation contributions are made from pre-tax income and taxed at 15% instead of your marginal income tax rate. Assuming your income tax rate is more than 15%, concessional super contributions can produce a hefty tax saving.

But there are limits to the level of concessional contributions that can be made annually without additional tax applying. Annual limits (known as 'concessional caps') for the 2014–15 financial year stand at:

- $30,000 for those aged 48 or under on 30 June 2014
- $35,000 for anybody aged 49 or over on 30 June 2014.

Included in these limits are contributions made by your employer (which include compulsory super guarantee contributions and contributions made under a salary sacrifice agreement), and personal contributions for which you claim a tax-deduction if you're eligible (these contributions are commonly made by those who are self-employed).

Why is this of interest? Imagine your concessional super contributions this financial year add up to $25,000. You are 45 years old, so are able to contribute another $5,000 in concessional contributions without breaching your concessional cap. If you elect to salary sacrifice this amount into super before the end of June you could pay just $750 (15%) tax. If you instead receive the $5,000 as salary it will likely be taxed at your marginal rate. If your marginal tax rate is 37%, then the resulting tax bill would be expected to more than double.

What if you do accidentally exceed the concessional cap? As of 2013–14 onwards, the amount by which you exceed the cap will simply be added to your assessable income and taxed at your marginal rate, minus a 15% tax offset to account for the contributions tax already paid by your super fund. There will also be an excess concessional contributions

charge applied, which recognises the delay in paying income tax on the excess amount. You will also have the option of withdrawing up to 85% of any excess concessional contributions.

There are several other important pieces of housekeeping in relation to superannuation, to be done at this time of year. If you have a total income of $34,488 p.a. or less then an after-tax contribution to your super of at least $1000 could be matched by a government co-contribution of $500. There are eligibility requirements – at least 10% of your income must come from employment or running a business, for example – but this is worth looking into. A partial co-contribution may also apply if you earn more than $34,488 but less than $49,488, or make an after tax contribution of less than $1,000.

Consider also whether any EOFY bonuses you receive could be better off in your super fund, for example by salary sacrifice (once again, keeping the contributions caps in mind). And discuss with your financial adviser whether some of your after tax savings could be directed into your spouse's super fund – if they earn less than $13,800 and are under 65 or aged 65 to 69 and satisfy a work test– you can make a spouse contribution for them and get a handy tax offset of up to $540 (the maximum offset applies where you make a spouse contribution of $3,000 and your spouse earns $10,800 or less).

Finally, if there is a larger sum you would like to contribute

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to super, to take advantage of favourable tax treatment on earnings in super funds, there is a non-concessional contributions (after-tax) cap of $180,000 per year. There is also a 'bring-forward' rule allowing those under 65 to 'bring forward' the next two years' cap. This means that once every three years you may be able to deposit up to $540,000 (3 x $180,000) of after-tax money into your super account. If you exceed your non-concessional cap, excess contributions tax of 49% can apply, although you will generally instead have the option of withdrawing the excess amount (in which case the 49% tax will not apply but a deemed earnings amount will be added to your assessable income

Speak to us for more information

Speak to your Crosby Dalwood Financial Adviser if you would like to understand more about how this information might impact your financial situation.

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