

Contribution Caps

Superannuation plays an important part in securing the type of lifestyle you want in retirement. Apart from the compulsory super contributions made by your employer (called superannuation guarantee or SG), you can contribute extra to your super to help increase your savings for the future. However, there are limits on how much you can contribute before you pay extra tax.

The different limits (known as caps) depend on the type of contributions made into your super fund. There are two types of caps, a concessional contributions cap (contributions paid before tax) and a non-concessional contributions cap (contributions paid after tax).

Concessional contributions

What are concessional contributions?

Concessional contributions are the contributions you make to super before tax on your income is deducted.

Concessional contributions are generally made up of the compulsory contributions your employer has to make on your behalf known as 'Superannuation Guarantee' or SG contributions, other additional contributions you may choose to salary sacrifice or personal contributions that you make for which you claim a tax deduction.

Concessional contributions are taxed at 15% when they go into super, which may be much lower than the marginal tax rate you would generally pay on your income (up to 47% including 2% medicare levy).

Concessional contribution caps

The concessional contribution cap limits how much you can contribute each financial year before you pay extra tax.

For the 2021/22 financial year, concessional contributions are capped at \$27,500 per financial year. Contributions that count towards your concessional contributions cap include:

- Employer contributions - this includes SG, award and voluntary employer contributions;
- Salary sacrifice contributions - an arrangement made with your employer to forego a portion of your pre-tax salary into your super instead of being paid to you as ordinary income; and
- Personal contributions - are after-tax contributions for which you claim a tax deduction.

Unused concessional cap carry forward

You may be able to increase your concessional contributions in a financial year by applying previously unused concessional contributions cap amounts. The following rules apply:

- you can start accruing unused concessional cap amounts from 1 July 2018;
- you can carry forward unused cap amounts if your total super balance was less than \$500,000 on 30 June of the previous financial year; and
- you can carry forward unused cap amounts for up to five financial years.

What if I exceed the concessional contributions cap?

Each year, superannuation providers are required to report to the Australian Tax Office (ATO) all contributions received during the financial year.

Any concessional contributions made in excess of the concessional contributions cap amount are included in your assessable income and are taxed at your marginal tax rate. There is a tax offset allowed for the 15% contribution tax already deducted within the fund. In addition, you may also be liable to pay an interest charge on the excess concessional contribution. The ATO will calculate the tax payable and provide you an assessment notice. You can elect to withdraw 85% of the excess amount or retain this in your super fund.

Excess concessional contributions that are not withdrawn from your super fund will form part of your non-concessional contribution cap.

If you hold more than one super account, you should be mindful that the total of all concessional contributions being made into your accounts will count towards the cap.

Non-concessional contributions

What are non-concessional contributions?

Non-concessional contributions are the contributions you make to super from your take home pay (after you've already paid tax) and for which you are not claiming a tax deduction.

Non-concessional contribution caps

There is a cap on the amount of non-concessional contributions that you can make in a financial year. You can generally contribute up to the annual non-concessional contribution cap of \$110,000 if your total super balance (across all super and pension accounts) at 30 June of the previous financial year is less than the general transfer balance cap (currently \$1.7 million). If you are under age 67, you may be able to 'bring forward' up to three years of non-concessional contributions. Once you are over age 67 you need to satisfy the work test, however you cannot bring forward future contributions.

The table below outlines the 'bring forward' rules for the 2021/22 financial year.

Total balance held in super and pension accounts

Total balance on 30 June 2021	Max Non-Concessional Contributions cap for the first year	Bring forward period
< \$1.48m	\$330,000	3 years
\$1.48m to < \$1.59m	\$220,000	2 years
\$1.59m to < \$1.7m	\$110,000	None
\$1.7m	Nil	N/A

If you hold more than one super account, you should be mindful that the total amount of all non-concessional contributions made into your accounts will count towards the cap.

Contributions that count towards your non-concessional contributions cap include:

- Personal contributions - a contribution made with your take-home pay for which you do not claim a tax deduction;
- Spouse contributions - a contribution made by your spouse to your super fund; and
- Excess concessional contributions unless you elect to release the excess from the fund.

What if I exceed the non-concessional contributions cap?

Each year, superannuation providers are required to report to the ATO all contributions received during the financial year.

Where excess contributions are made these amounts can be withdrawn and 85% of any associated earnings will also need to be withdrawn. The associated earnings will be taxed at your marginal tax rate. Excess amounts that are not withdrawn will be taxed at the highest marginal tax rate.

Have you provided your Tax File Number (TFN)?

If you have not provided your TFN, contributions made to your super will be subject to the highest marginal tax rate. Additionally, we will not be able to accept personal contributions from you. You can provide your Tax File Number by calling us or by logging in to your online account at eisuper.com.au/login.

Seek professional advice

Our financial planners provide advice over the phone, at our offices or at a location near you.



To book an appointment, please call 1300 369 901 or visit eisuper.com.au/appointment.

We're here to help

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