

Non-concessional contributions to super

Non-concessional contributions to super are contributions an individual may choose to make from their after-tax income or accumulated savings to help boost their super balance. Non-concessional contributions are not taxed when contributed to an individual's super fund.

There are limits to the amount of non-concessional contributions an individual can make to super each financial year based on their age, their previous non-concessional contributions and their total super balance.

Some benefits to consider

Due to the concessional tax treatment of both contributions to, and withdrawals from super, it may be considered a tax-effective way to save for retirement. In addition, the investment returns generated from the money contributed to super are taxed at concessional rates, which further enhances the benefits of using super as a tax effective retirement savings vehicle.

As non-concessional contributions to super are from after-tax money, some benefits from making these contributions can include:

- No tax on the contributions when made to a super fund,
- Investment returns in super are generally taxed at 15%,
- Once eligible, upon accessing their super, any money previously contributed as a non-concessional contribution will be returned to the individual tax-free,
- Given the higher contribution limits available for non-concessional contributions compared to other types of contributions to super, non-concessional contributions can be an effective way for an individual to boost their super savings leading into retirement.

Some things to consider

The annual non-concessional contribution cap is \$100,000. However, it's important to note a number of other factors are used to determine an individual's eligibility to make a non-concessional contribution to super, including:

- Individuals under the age of 65 (as at 1 July in the relevant financial year) may be able to make non-concessional contributions up to three times the annual non-concessional contribution cap (\$300,000) in a single year. This is known as the 'bring forward' provision.
- A non-concessional contribution of up to \$100,000 per year is available to individuals between age 65 and 74 if they meet the work test or work test exemption in the financial year of contributions.
- Individuals with a total super balance equal to or greater than \$1.6 million at the end of 30 June of the previous financial year will not be eligible to make non-concessional contributions to super.
- Individuals with less than, but close to a total super balance \$1.6 million, who may be looking to make 'bring forward' non-concessional contributions to super, may have their total bring forward amount limited by their total super balance as illustrated in the following table.

| Total super balance (as at 30 June of previous financial year) | Maximum non-concessional |
|--|--------------------------|
| Less than \$1,400,000 | \$300,000 |
| \$1,400,000 – \$1,499,999 | \$200,000 |
| \$1,500,000 – \$1,599,999 | \$100,000 |
| \$1,600,000+ | Nil |

Example 1

Fredrick is 60 years old and makes a single non-concessional contribution of \$300,000 to his super fund in the 2019/20 financial year. His \$300,000 contribution triggers and fully utilises his three year 'bring forward' amount, as it exceeds the annual non-concessional contribution cap of \$100,000.

- During financial years 2020/21 and 2021/22, Fredrick can't make any more non-concessional contributions to his super fund without exceeding his non-concessional contribution cap.

Example 2

Louise is 64 years old and is looking to maximise her contributions to super before retiring at age 65. She hasn't made any non-concessional contributions to super in the last three years.

As at 30 June 2019, Louise has a total super balance of \$1.44 million. The maximum non-concessional contribution available to Louise in the financial year is \$200,000. Given her total super balance, she is not eligible to contribute the full \$300,000 and is instead restricted to a limit of \$200,000.

An individual's eligibility to make non-concessional contributions to super is often impacted by a number of factors unique to their personal situation.

For more information, speak to a registered financial or tax adviser.

For more information

bt.com.au | 132 135 | GPO Box 2861 Adelaide SA 5001



This information is current as at 9 June 2020. BT is a part of Westpac Banking Corporation ABN 33 007 457 141, AFSL and Australian Credit Licence 233714 (Westpac). The information in this article is general information only. It does not constitute any recommendation or financial product advice. It provides an overview or summary only and it should not be considered a comprehensive statement on any matter or relied upon as such. It does not take into account your personal objectives, financial situation or needs and so you should consider its appropriateness, having regard to your personal objectives, financial situation and needs having regard to these factors before acting on it. BT cannot give tax advice. Any tax considerations outlined in this article are general statements, based on an interpretation of current tax laws. Any such tax considerations do not consider your specific circumstances and do not constitute tax advice. As such, you should not place reliance on any such taxation considerations as a basis for making any decisions with respect to superannuation. As the tax implications of superannuation can impact individual situations differently, you should seek specific tax advice from a registered tax agent or registered tax (financial) adviser about any liabilities, obligations or claim entitlements that arise, or could arise, under a taxation law.

Any examples used in this article are purely for illustration only. This article may contain material provided by third parties derived from sources believed to be accurate at its issue date. While such material is published with necessary permission, no company in the Westpac Group accepts any responsibility for the accuracy or completeness of, or endorses any such material. Except where contrary to law, we intend by this notice to exclude liability for this material. Superannuation is a means of saving for retirement, which is, in part, compulsory. The government has placed restrictions on when you can access your investment held in superannuation. The Government has set caps on the amount of money that you can add to superannuation each year on both a concessional and non-concessional tax basis. There will be tax consequences if you breach these caps. For more detail, speak with a financial adviser or visit the ATO website.