superannuation

Superannuation ('super') is money set aside to provide for your retirement.

For most people, super begins when you start work and your employer starts paying ('contributing') a portion of your salary or wages into a super fund for you. Usually, super money is not accessible before a certain age (called a Preservation Age).

Super funds invest your super in many things, such as shares and property, with the aim of growing it so you have more when you retire.

Superannuation contributions

The types of payments (contributions) into your super include:

1. Employer contributions
2. Salary sacrifice
3. Personal contributions
4. Spouse contributions.

As contributions paid by your employer are taxed, these are referred to as being 'concessional' contributions. These include salary sacrifice and any tax-deductible contributions. As the money you use to make personal and spouse contributions is taxed before you make the contribution, these contributions are referred to as 'non-concessional'.

Caps (limits) apply to the amount of super contributions you can make or receive each financial year before there are tax implications. Please see the next page for more information.

1. Employer contributions

Most employees will receive a Superannuation Guarantee (SG) contribution from their employer. At the moment this is equal to 9.5% of your salary and wages.

Generally, you are eligible for the 9.5% SG if you are:

- aged 18 years and over
- earning $450 or more (before tax) in a calendar month, and
- working full-time, part-time or on a casual basis.

Individuals aged under 18 may also be eligible for superannuation if they:

- earn $450 or more (before tax) in a calendar month, and
- work full-time, part-time or on a casual basis for 30 hours or more in a week.

Employers can make extra contributions, additional to SG, at their discretion.

2. Salary sacrifice

Salary sacrifice is an arrangement between you and your employer whereby you choose not to receive some of your salary as cash but instead have it paid to your superannuation fund as a before tax contribution. This reduces your taxable income, whilst increasing your superannuation savings for retirement.

Instead of taking your full salary taxed at your marginal rate, you can nominate a portion of your 'before tax' money to go straight into your super fund. The superannuation fund is generally taxed at a lower rate (max. 15%) instead of your marginal rate, which can be as high as 45% (plus Medicare & Temporary Budget Repair levies).

3. Personal contributions

A personal (after tax) contribution is a contribution to your superannuation fund for which a tax deduction is not claimed. It enables you to contribute a sum of money for which no contribution tax is incurred and therefore the whole amount is invested.

When you draw these funds out of superannuation, either in a lump sum or as income, no tax is charged on this portion of your superannuation.

You now have the option to claim personal contributions as a tax deduction. Please see the next page for more information.

4. Spouse contributions

At any age, you can make contributions to your spouse's superannuation if:

- your spouse is under age 65 or aged 65-69 and gainfully employed
- the contribution is made to a complying superannuation fund, and
- you are both Australian residents and are Australian taxpayers.

The spouse contribution tax offset provides a tax offset of up to $540 for a contributing spouse where they make eligible spouse contributions of up to $3,000.

To be eligible for the offset, your receiving spouse must have total income (assessable income, reportable fringe benefits amounts and reportable employer superannuation contributions) not exceeding $37,000 in order for you to receive the maximum offset – a partial offset may apply where your receiving spouse has a total income between $37,000 and $40,000.

Caps on employer, salary sacrifice, and tax deductible contributions

Concessional contributions (including employer, salary sacrifice and personal contributions that meet the tax deductible circumstances) are capped at $25,000 per year for everyone (regardless of age).

Excess concessional contributions

If you go over the concessional cap, your excess contributions will be included in your assessable income and taxed at your marginal tax rate (plus an interest charge).

To assist you in paying the additional tax bill, you may release up to 85% of the excess concessional contributions from your super fund. You can only release up to 85% because 15% contributions tax has already been paid by your super fund.

Released contributions will no longer be counted as non-concessional contributions. You will receive a 15% tax offset for this in your tax return.

Catch–up concessional contributions

After 1 July 2018, if you have a total superannuation balance of less than $500,000, you will be able to 'catch–up' on your super contributions just before the beginning of a financial year by carrying forward any unused concessional cap amounts from the previous five financial years.

For example, if you have a total superannuation balance of $200,000 and do not receive any concessional contributions in the 2018/19 financial year, in the 2019/20 financial year you can receive concessional contributions up to the combined caps of the 2018/19 and 2019/20 years (i.e. $25,000 cap for 2018/19 + $25,000 cap for 2019/20 = $50,000 combined 'catch-up' caps).

Caps on personal and spouse contributions

For personal and spouse contributions (non-concessional contributions):

- Anyone under the age of 65 can contribute up to $100,000 per year into superannuation (or can contribute up to $300,000 in one year under the 'bring forward' rule – see below).
- Anyone over the age of 65 can contribute up to $100,000 per year into superannuation (subject to meeting a work test).

You can bring forward any unused non-concessional cap amounts for up to a total of three financial years. E.g. You can choose to forego making personal contributions for the following two financial years after making your original contribution (i.e. $100,000 for year 1 + $100,000 for year 2 + $100,000 for year 3 = $300,000).

The amount you can bring forward is determined by how much you currently have in super as set out in the table below.

Total super balance at 30 June prior to financial year	Contribution and bring forward available
Less than $1.4 million	3 years ($300,000)
At least $1.4 million but less than $1.5 million	2 years ($200,000)
At least $1.5 million but less than $1.6 million	1 year ($100,000)
At least $1.6 million	Nil

Exceeding the $1.6 million threshold is allowable if you make a contribution using the bring forward rule as shown above, but no further after tax contributions can be made once your total super balance is above that $1.6 million threshold.

Claiming a tax deduction on personal contributions

If you make personal super contributions, you will have the option to claim a tax deduction.

This will allow you to have the flexibility to make concessional contributions either via salary sacrifice (if allowed by your employer) or personal tax-deductible contributions. This flexibility could assist you with:

- end of year super top-ups by making personal concessional contributions to use up any remaining concessional contribution cap
- deciding how to contribute bonuses, annual leave and long service leave
- contributing lump sum leave payments received upon termination of employment tax-effectively.

After claiming a tax deduction on your personal contributions, concessional contribution caps will apply to the amount claimed.

Excess non-concessional contributions

If you exceed the maximum non-concessional cap, you may choose to withdraw the contributions in excess of the non-concessional contribution cap plus 85% of any associated earnings.

The associated earnings withdrawn are taxed at your marginal tax rate. You will also be entitled to a 15% non-refundable tax offset of the associated earnings included in your assessable income.

If you choose not to withdraw your excess non-concessional contributions, they will remain in your super account and your excess non-concessional contributions will be taxed at 45% (plus the Medicare & Temporary Budget Repair levies).

Over 65 work test

Once you reach age 65, you can only make a contribution to super if you work more than 40 hours over 30 consecutive days in that financial year.

When can I withdraw my superannuation?

You are able to access your superannuation when you attain preservation age and satisfy a condition of release.

What is my preservation age?

The following table outlines the preservation age.

Date of Birth	Presevation Age
Before 1 July 1960	55 years
1 July 1960 – 30 June 1961	56 years
1 July 1961 – 30 June 1962	57 years
1 July 1962 – 30 June 1963	58 years
1 July 1963 – 30 June 1964	59 years
On or after 1 July 1964	60 years

How do I satisfy a condition of release?

To satisfy a condition of release of your superannuation benefits, you must:

- be permanently retired (i.e. working less than 10 hours per week) on or after your Preservation Age, or
- have ceased work with an employer (e.g. changed jobs) after age 60, or
- have reached age 65.

Tax consequences of withdrawing superannuation

When superannuation contributions are made, they have usually been taxed either by the contributions tax for concessional contributions, or at your marginal tax rate before you make a non-concessional contribution. In rare circumstances (e.g. constitutionally protected funds), some contributions are untaxed until you wish to withdraw your super. This means your balance can contain both taxed and untaxed elements.

Upon withdrawing your super benefits, the monies are broken into two components, tax free and taxable.

How are the components calculated on withdrawal?

When withdrawing your funds from superannuation, the taxable and tax free components are taken in proportion to the total balance.

What makes up the tax free component?

The tax free component generally consists of personal contributions and amounts which represent the portion of a superannuation benefit that accrued before 1 July 1983.

What makes up the taxable component?

The taxable component is the total value of the superannuation benefit less the tax free component and is primarily made up of employer and salary sacrifice contributions.

Tax payable on withdrawal of taxed and untaxed super elements

Age of client at time of payment	Tax treatment (excluding medicare levy)	
	Taxed element	Untaxed element
Under preservation age	• 20% tax	• 30% tax on amounts up to the untaxed plan cap* • 45% tax on the remaining amount
Between presevation age and 60	• Tax-free for amounts up to the low rate cap** • Up to 15% tax on the remaining amount	• 15% tax on amounts up to the low rate cap** • 30% tax on amounts between the low rate cap** and $1.445 million • 45% tax on the remaining amount
Age 60 and over	• Tax-free	• 15% tax on amounts up to the untaxed plan cap* • 45% tax on the remaining amount

* Untaxed plan cap = $1.445 million for 2017/18

** Low rate cap = $200,000 for 2017/18, increasing each year with indexation in increments of $5,000 in line with Average Weekly Ordinary Time Earnings (AWOTE)

If you need any assistance, please contact our Service Centre

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