



TIP SHEET

Your concessional contributions cap

Changes to superannuation (super) came into effect on 1 July 2017. It is important to reinforce the need for you to take steps to ensure you understand your personal circumstances and consider any necessary action you can take now to prevent or reduce any possible consequences.

How are you tracking after 1 July 2017?

There is a changed dollar limit (referred to as a 'cap') on the amount of concessional (before tax) contributions you can make to your super each financial year without having to pay extra tax. From 1 July 2017, the amount of concessional contributions you can make is capped at \$25,000. Previously the amount was determined by your age.

From 1 July 2019, you can also make 'carry-forward' concessional contributions if you have unused cap space and your total superannuation balance is less than \$500,000. In the future, the cap amount will be indexed in line with average weekly ordinary time earnings (AWOTE) in increments of \$2,500 (rounded down).

What you should do now

Now is the time to see how you are progressing for the first half of this financial year. As the concessional annual cap is \$25,000 for 2017-18, it is important that you monitor your concessional contributions and ensure you keep them below your cap to prevent you having to pay additional tax.

If you have more than one job, or pay money into more than one super fund, include all of them when working out your annual contributions. Check if your employer pays costs (such as super administration fees and insurance premiums) on your behalf to your fund – these amounts also count towards your cap.

Throughout the 2017-18 financial year keep track of the amount of concessional contributions you, your employer or others make on your behalf. You can check this amount with your super fund, or funds if you have more than one. It is important to note that the contributions count towards your cap in the year your super fund receives them, not in the year that your employer pays them.

If you are a member of a constitutionally protected fund (CPF) or an unfunded defined benefit fund, contributions made to these types of funds will count towards your concessional contributions from 1 July 2017. You may need to check these contributions with your super fund so you don't exceed your cap if you have other concessional contributions.

What to do if you think you may exceed your concessional cap amount

You will need to take action to stop or reduce any pre-tax voluntary contributions to your super. Be aware that your employer can't change compulsory super guarantee amounts, or amounts paid under a contract or industrial agreement.

You can also consider delaying making any personal super contributions you intend to claim as a deduction in your income tax return. If you are eligible to claim an income tax deduction for your personal super contributions, only the amount we allow as a deduction will count towards your concessional contributions cap.

What will happen if you are over your cap at the end of 2017-18

If, despite your action during the remainder of 2017-18, you exceed your \$25,000 cap for 2017-18, you will have excess concessional contributions. Your excess concessional contribution amount will be included in your assessable income for the 2017-18 and will be taxed at your marginal tax rate. This may affect your total income tax liability.

You may also be liable to pay an additional excess contribution charge. The charge will be payable on the amount of your income tax liability that can be attributed to your excess concessional contributions. The ATO does not have discretion to remit the charge.

What the ATO will do if you go over your cap

You will receive an excess concessional contributions determination from us. We will commence issuing these in late 2018 as information is provided to us. The determination will outline the amount of your concessional contributions, the amount of your excess concessional contributions and the excess concessional contribution charge.

The determination will give you 60 days to make an election to release amounts from your super funds to assist meet your increased income tax liability. You must pay your increased income tax liability, including your excess concessional contribution charge, by the due date on your income tax notice of assessment.

If special circumstances apply about why you have excess concessional contributions for a financial year, you can apply to us for a determination to have some, or all, of your concessional contributions disregarded or allocated to another financial year.

If you disagree with the determination, you can lodge an objection.

What to do if you receive a determination from the ATO

In response to a determination from us you can choose from two options to deal with the outstanding amount. There are consequences that need to be considered in determining which course of action is appropriate for your own circumstances.

Option 1

You can choose to release up to 85% of your excess concessional contributions from your super fund (or funds). This is the amount of your excess, minus 15% tax paid by your funds. This can be done through your *myGov* account and the ATO online service, where you can complete the *Excess concessional contributions election form* within 60 days of the determination's issue date. Alternatively, you can download the form from our website.

Any amount that you release will not count towards your non-concessional contributions cap. We will ask your nominated super funds to release the specified amounts and send the money to us. We will then use the money to pay any outstanding tax or Australian government debts. Any remaining balance will be refunded to you.

Option 2

You can choose to take no action, pay the additional income tax liability and any excess concessional contribution charge, and leave the excess concessional contributions in your super fund (or funds). However, be aware that any excess concessional contributions that remain in super will then count towards your non-concessional (after tax) contributions in the year the contributions were made to the fund (not the year they were reallocated).

There is a separate annual cap for non-concessional contributions and if you exceed that cap in a financial year you may have to pay extra tax.

What counts towards your annual concessional contributions cap

If you have more than one super fund, all of the concessional contributions you have made to your funds are added together and count towards your annual concessional contributions cap, including:

- employer contributions, such as
 - compulsory super guarantee contributions your employer makes for you
 - salary sacrifice payments made to your super fund from your pre-tax income
 - any additional pre-tax contributions your employer makes
 - other amounts paid by your employer from your pre-tax income to your super fund, such as administration fees and insurance premiums
- personal contributions, which you have claimed as an income tax deduction (from 1 July 2017, the 10% maximum employment earnings condition for personal contribution deductions no longer applies)
- contributions made to CPFs
- unfunded defined benefit contributions
- notional taxed contributions, if you are a member of a defined benefit fund (including CPFs for 2017-18 onwards)
- some amounts allocated from a fund reserve.