fact SHEET

Maritime Super
OUR FUTURE

# Contribution caps

As an incentive to help Australians save for retirement, super receives tax concessions.

However, there are limits on the amount of contributions you can make to your super account each year that attract concessional tax treatment.

It's important to keep track of the contributions you make each year, as there are limits on the amount of contributions that attract concessional tax treatment

## Concessional contributions

- Concessional contributions are made from before-tax income
- They're taxed at 15% (compared to your marginal tax rate if received as income) or more if you exceed your cap
- Salary sacrifice is a type of concessional contribution
- Your employer's SG contributions count towards the concessional contributions cap
- Any employer-paid premiums or fees count toward the concessional contribution cap

**The concessional contributions cap is currently $27,500 regardless of your age.**

If you exceed your concessional contribution cap, the excess contributions will count towards your assessable income and taxed at your marginal tax rate, with a 15% contributions tax offset, plus an interest charge. However, you can withdraw part of your excess contributions. Excess contributions not withdrawn will count towards your non-concessional contribution cap.

## Non-concessional contributions

- Non-concessional contributions are made from after-tax income
- They're not subject to contributions tax because you've already paid income tax on that money

**The non-concessional contributions cap is currently $110,000 per year.**

If you exceed your non-concessional contributions cap, your excess contributions are subject to tax at an overall rate of at least 49%.

Furthermore, if your total super balance is $1.7 million or more at 30 June, any non-concessional contributions made in the will be treated as excess non-concessional contributions.

### The bring-forward rule

If you wanted to contribute more than $110,000 into your super, you can trigger the 'bring forward' rule.

The 'bring forward' rule allows you to bring forward two years' worth of contributions and contribute up to three times the current cap over a 3-year period if you are under 67 (some limitations may apply).

If your total super balance is close to the general super balance set annually by the government, you can only make non-concessional contributions to the extent that you do not exceed the general super balance cap. For 2021/22, the general super balance is $1.7 million.

If your total super balance equals or exceeds this cap, any non-concessional contributions will be treated as excess non-concessional contributions.

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## Case study 1: Robert

Robert is 38 years old, works full-time and earns $85,000 a year. His employer's SG contributions are 10% of ordinary time earnings.

He'd like to make the maximum permitted salary sacrifice contributions based on his salary.

| | |
|---|---|
| Salary | = $85,000 |
| Employer's SG contributions | = 10% of $85,000<br>= $8,500 |
| Contributions cap | = $27,500 |
| Salary sacrifice | = $27,500 - $8,500<br>= $19,000 |

Therefore, **Robert can salary sacrifice $19,000** of his before-tax income without having to pay additional contribution tax.

If he wished to, Robert could also contribute up to $110,000 each year of after-tax earnings without attracting a higher tax rate.

## Case study 2: Peter

Peter is 62 years old, works part-time and earns $51,000 a year. His employer's SG contributions are 10% of ordinary time earnings.

He's approaching retirement and would like to boost his super as much as possible.

| | |
|---|---|
| Salary | = $51,000 |
| Employer's SG contributions | = 10% of $51,000<br>= $5,100 |
| Contributions cap | = $27,500 |
| Salary sacrifice | = $27,500 - $5,100<br>= $22,400 |

Therefore, **Peter can salary sacrifice $22,400** of his before-tax income without having to pay additional contribution tax.

If he wished to, Peter could also contribute up to $110,000 each year of after-tax earnings without attracting a higher tax rate, which would really boost his super.

## Get free financial advice about your contribution strategy

Members have access to 'limited advice', which is financial advice about a single issue – for example, how much extra salary to contribute to your super account – with a financial planner giving guidance on your specific area of interest.

You'll get limited personal advice over the phone that takes into account your relevant circumstances. Limited advice is available only in relation to your investment strategy in the Fund and/or salary sacrifice contribution strategy. The financial planner will ask you a series of questions to assess your risk profile and financial goals, so allow around 20 minutes for your phone call.

**Simply call 1800 757 607 to speak to a planner who can help you straight away.**

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