

DON'T EXCEED THE MAXIMUM SUPER CONTRIBUTIONS THIS YEAR!

The Federal Government imposes limits on the amounts of superannuation contributions which are paid by you or on your behalf in a financial year.

If you exceed these limits, the excess amount will be taxed at 46.5%! So - you really need to ensure that you don't exceed these limits.

For the year commenced 1 July 2010, the following limits apply:

CONCESSIONAL CONTRIBUTIONS

These are contributions paid on your behalf by an employer (**including** those deducted from your pre-tax salary by your employer ie **salary sacrifice contributions**). The limits per person are:

- For those aged less than 50 \$25,000
- For those aged 50 or more \$50,000

If you turn 50 before 30 June 2011, the \$50,000 limit applies to you for the financial year.

NON-CONCESSIONAL CONTRIBUTIONS

A separate limit applies to non-concessional contributions. These are contributions that you make personally (either from your own savings or deducted from your **after-tax** salary by your employer ie not salary sacrifice contributions).

The limit per person is \$150,000 for the financial year.

If you have not attained age 65, you can contribute up to \$450,000 in one financial year but you cannot then contribute any more in non-concessional contributions in the next two financial years.

Example: If you make a non-concessional contribution of \$200,000 on 1 September 2010, you can contribute up to a further \$250,000 before 30 June 2013. If you contribute more than \$450,000 in total over those 3 years, the excess will be taxed at 46.5%.

If you have attained age 65, a limit of \$150,000 applies each financial year. You cannot bring forward the next two years of contribution limits.

Important Note:

If you are over age 65, you cannot contribute personally in a financial year until you have worked for 40 hours in 30 consecutive days of that year.

If you have not attained age 65, you can contribute personally whether or not you are in the paid workforce.

MORE ON CONTRIBUTION LIMITS

1. The concessional contribution limits of \$25,000 or \$50,000 do not just apply to salary sacrifice contributions. Your employer's compulsory 9% contributions and any higher contribution paid by your employer for you are also included in those limits.
2. All contribution limits apply to contributions **received** by the super fund during a financial year. The amount of contribution shown on your pay slip for a particular month or fortnight is the amount which **will** be contributed for that month or fortnight. However, most employers actually pay the contribution some time later.

Thus, a salary sacrifice contribution deducted from your pay for, say, June of one financial year will commonly be paid to the super fund in July ie in the next financial year. Accordingly, you should not rely on your pay slip or annual payment summary (group certificate) to reflect the amount which we have received and have to report to the Tax Office.

3. The limits apply **per person** regardless of the number of super funds to which you belong. A person aged 55 who is a member of, say, two super funds, is still limited to a total concessional contribution of \$50,000.
4. A couple has twice the limits of a single person. People often forget that, whilst the limits apply to them individually, the same limits also apply to their spouse. Thus, it is quite conceivable that, in one financial year, a couple in their 50s who inherit a sizeable sum of money could:
 - live on some of that money;
 - make salary sacrifice contributions and have employer contributions which, combined, total \$50,000 each; and also
 - contribute \$450,000 each personally.
5. Concessional contributions up to the \$25,000 or \$50,000 limit are taxed at 15%. However, if more than the limit is received, then the excess amount will be taxed at 46.5%. The excess will also then be treated as a non-concessional contribution and will be counted towards your \$150,000 or 3-year \$450,000 limit.

Non-concessional contributions up to the \$150,000 (or 3-year \$450,000) limit are not taxed at all. Contributions exceeding this limit cannot be accepted by super funds and must be refunded.

IT'S YOUR RESPONSIBILITY

Don't rely on your employer or your super fund to monitor your total contributions for a financial year. You will cop the tax bill if you exceed the limits and, it's your responsibility to keep track of the amounts paid to your fund(s).

At Combined Fund, we keep an eye on things and may warn you if you go over the limit or are getting close but, ultimately, super funds can accept any amount of contribution from an employer for you. We then have to report the contributions received to the Tax Office and they decide if you've exceeded the limits.

Questions

If you have any questions, please ring us on 1800 200 801.