

**TAX ALERT: SUPERANNUATION CONTRIBUTION LIMITS FOR THE YEAR
ENDING 30 JUNE 2018**

Introduction

The superannuation contributions caps for concessional (before tax) and non-concessional (after tax) contributions have changed significantly for the 2017/2018 year.

Concessional contributions include your employer's compulsory Superannuation Guarantee (SG) contributions, your salary-sacrificed contributions, or any contributions claimed as a tax deduction.

Non-concessional (after-tax) contributions are super contributions made from after-tax dollars or non-taxed savings.

Concessional Contributions Cap

From 1 July 2017, the general concessional contributions cap dropped to \$25,000 for all ages.

We note the maximum earnings (10%) test has been abolished from 1 July 2017, which allowed individuals to contribute personal deductible contributions that otherwise may not have been allowed, due to employment income being greater than 10% of their earnings.

In regards to employers, please note that to comply with the Superannuation Guarantee Scheme (SGC), contributions for the June 2018 quarter must be made by 28 July 2018 (note below re timing of payment to obtain a tax deduction for this financial year). Failure to do so may result in the imposition of penalties and interest charges.

Under the SGC, an employer must make superannuation contributions of at least 9.50% of gross salary earned by each eligible employee (up to a maximum salary of \$211,040). The definition of 'employees' also includes working directors.

In order to obtain a tax deduction for the year ending 30 June 2018, please ensure that contributions are ***paid into the fund with sufficient time for them to be cleared through the bank account prior to Monday 25 June 2018.***

Excess Concessional Contributions

Contributions in excess of the concessional limit will still be deductible to the employer, but the member (employee) will be taxed on any excess concessional contributions (ECC) at their marginal income tax rate. The member (employee) will receive a tax offset equal to 15% of the ECC, to account for the contributions tax that has already been paid by the member's superannuation fund.



Alternatively, the member (employee) may 'elect' to withdraw up to 85% of the ECC from the superannuation fund to help pay the additional income tax on the assessed ECC amount. Any ECC amount not removed from the member's super fund will count towards their non-concessional contributions cap. ***We note that it is critical to talk to your usual adviser if you receive any ATO notice in relation to excess contributions.***

Non-Concessional Contributions Cap

Generally, non-concessional contributions are voluntary contributions not claimed as an income tax deduction by you, or your employer. The non-concessional (after-tax) contributions cap for the 2017/2018 year is \$100,000. However, if your total superannuation balance at 30 June 2017 was \$1,600,000 or more, your non-concessional cap is \$Nil, which means you will no longer be able to make non-concessional contributions to your superannuation fund.

Subject to your total superannuation balance and non-concessional contributions made in 2016 and 2017, individuals under 65 years can take advantage of the bring-forward rules during the 2017/2018 year and make up to \$300,000 in non-concessional contributions in one year, or over 3 years in various combinations.

However, individuals with a total superannuation balance between \$1,500,000 and \$1,600,000, their maximum non-concessional contribution under the bring-forward rules will be limited to one year or \$100,000. Also, those with a total superannuation balance between \$1,400,000 and \$1,500,000, their maximum non-concessional contribution under the bring-forward rules will be limited to two years or \$200,000.

If you have triggered the bring-forward rule in either of the two previous financial years, then you need to include those previous year's non-concessional contributions when determining your maximum available non-concessional contributions for the 2017/2018 year.

Other Issues to Consider

- From the age of 65, you must satisfy a work test if you intend to make contributions.
- From the age of 75, you will not be able to make voluntary personal super contributions.

Conclusion

The current caps for non-concessional contributions are now very specific to your circumstances. Before you finalise any contributions for the 2017-2018 year, we recommend you contact Lowe Lippmann to discuss your personal contribution cap.

Please do not hesitate to contact your Lowe Lippmann Relationship Partner if you wish to discuss any of these matters further.



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The International Accounting Group
worldwide network of independent accounting firms

Level 7 616 St Kilda Road Melbourne
Victoria Australia 3004
(PO Box 130 St Kilda Vic 3182)
T 61 (03) 9525 3777
F 61 (03) 9537 1104
E office@lowelippmann.com.au
W www.lowelippmann.com.au