

Superannuation contributions - excess contributions tax alert

Did you know that the tax deductible superannuation contributions cap of \$50,000, including salary sacrifice amounts, if you are 50 or older will stop on 30 June 2012?

From 1 July 2012, the cap will be limited to \$25,000 regardless of your age and any excess over \$25,000 will be taxed at an additional rate of 31.5%. With 15% tax already paid on the tax deductible contribution, the additional 31.5% tax on the excess brings the total tax liability to 46.5%. Excess concessional contributions are also counted against your non-tax deductible superannuation contributions cap.

Tax deductible superannuation contributions (also known as concessional contributions) include any contributions made by your employer such as 9% superannuation guarantee contributions and salary sacrifice contributions and personal tax deductible superannuation contributions.

What should you do?

If you are 50 or older, and your concessional contributions in the 2011/12 financial year will be more than \$25,000, you should:

1. Contact your employer(s) to review the total amount being contributed to superannuation so that you won't exceed the tax deductible contributions cap.
2. Make sure amounts claimed as personal tax deductible superannuation contributions from 1 July 2012 do not exceed the cap when combined with all other tax deductible contributions to superannuation.

Don't forget: it is the total of your tax deductible superannuation contributions (concessional contributions) made to all superannuation funds which is counted against your concessional contribution cap. If you are a member of more than one superannuation fund, make sure the total of your tax deductible contributions made to all funds are counted. This also includes payments made by your employer or claimed by you as a tax deduction for superannuation insurance premiums.

How can we help?

If you need to reduce your tax deductible superannuation contributions we can assist by calculating the impact on your taxable income and your projected retirement benefits. We can also review your tax planning strategies, your retirement planning goals and assess other retirement funding options.

There are circumstances when contributing amounts in excess of the \$25,000 cap, and incurring excess contributions tax, may not have a material impact on your overall financial situation. Reducing your tax deductible superannuation contributions in these circumstances may not be necessary. We can help you to assess the impact of excess contributions tax and to determine the appropriate course of action given your individual circumstance.