

Contributing To Your Self-Managed Superannuation Fund

June 2011

It is important that trustees of self-managed superannuation funds (SMSF) understand restrictions that relate to the acceptance of contributions, and comply with contribution standards at all times. These rules complement the sole purpose test and therefore aim to ensure that contributions are made for retirement purposes.

Concessional Contributions

Also known as deductible or taxable contributions, these contributions are added to a member's taxable component and taxed at 15% in the SMSF.

Types of concessional contributions:

- ✓ The 9% superannuation guarantee (mandated contributions).
- ✓ Salary sacrifice amounts.
- ✓ Amounts paid from self-employed persons where a deduction has been claimed.

Contribution Caps			
Concessional		Non-Concessional	
Age	Amount	Age	Amount
Under 50 years	\$25,000	Under 65 years	\$150,000 or \$450,000 over 3 years
Over 50 years	\$50,000*	Over 65 years	\$150,000^

*The transitional cap for those over 50 expires 30 June 2012
^Work test must be met when a member is over the age of 65.

Non-Concessional Contributions

Also known as non-taxable contributions, and previously referred to as undeducted contributions, non-concessional contributions add to a member's tax free component.

What are non-concessional contributions?

- ✓ Contributions made from after-tax income.
- ✓ Not assessable in the SMSF.
- ✓ Government co-contributions do not count towards contribution caps.

CGT Small Business Concessions

Small business owners have potential concessions available to reduce any capital gain arising from the sale of an active asset by contributing the capital gain and proceeds to super. These contributions count towards the CGT Contribution Cap.

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Types of Contributions

Mandated Contributions

Mandated contributions are those contributions that are mandated in order to satisfy an employer superannuation guarantee or an award based superannuation obligation. Please note that from 1 July 2013 the age limit for payment of superannuation guarantee contributions will be increased from 70 to 75. This brings the superannuation guarantee age limit in line with personal and voluntary employer contribution.

Non-Mandated Contributions

Non-mandated contributions are those contributions that are not mandated and are subject to the following age based rules:

Under 65 years	All contributions can be accepted without restriction.
Over 65 to under 75 years	Contributions can be accepted subject to the member meeting the 'gainful employment test'.
Over 75 years	Non-mandated contributions cannot be accepted.

In order to satisfy the 'gainful employment test' a member must meet the following conditions: be employed or self-employed for gain or reward in any business, trade, profession, vocation, calling, occupation or employment, for at least 40 hours in a period of 30 consecutive days in the financial year in which the contributions are made.

Concessional Contributions

Concessional contributions are contributions that are made from before-tax income and are assessable within a superannuation fund. They include employer contributions, such as the 9% superannuation guarantee and salary sacrificed amounts, as well as amounts paid from self employed persons where a deduction has been claimed.

The concessional contribution caps are indexed in \$5,000 increments and any amounts in excess of the cap count towards the non-concessional contributions cap. **Any amounts that exceed the concessional cap are subject to a further 31.5% tax.**

Non-Concessional Contributions

These are contributions made from after-tax income and are not assessable to the superannuation fund. **Any amounts that exceed the non-concessional caps are subject to 46.5% tax.**

CGT Small Business Concessions

If certain conditions are met a small business owner may be eligible for CGT concessions and be able to reduce any capital gain by contributing to super. The two main concessions are the Retirement Exemption which has a lifetime cap of \$500,000 (not indexed) and the 15 Year Exemption which has a lifetime cap of \$1.205 million (indexed annually) for the 2011-2012 financial year.

Excess Contributions Tax

Contributions in excess of the relevant cap amounts are subject to excess contributions tax imposed on the person for whom the contributions are made. It should be noted that if a member contributes over the concessional cap amount, the excess will count towards the non-concessional contributions cap. **If both the concessional and non-concessional caps have been breached, the excess is taxed at 93%.**

The Australian Tax Office (ATO) will assess the individual personally for the excessive contributions tax based upon the contributions reported to the ATO by his or her superannuation fund. The person may pay for the tax liability personally or by having their superannuation fund release the amount.

If you have any questions regarding the information outlined in this publication, please call GTH Accounting Group and ask to speak to a member of GTH Superannuation Solutions.

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