TRAC

The Retirement Advice Centre

The "Your Guide To" Series

Co-Contributions

David Reed

Your Guide to Co-Contributions

Making a personal after-tax (non-concessional) contribution into super can attract a co-contribution of up to $500 from the government to boost your retirement savings.

What are the benefits?

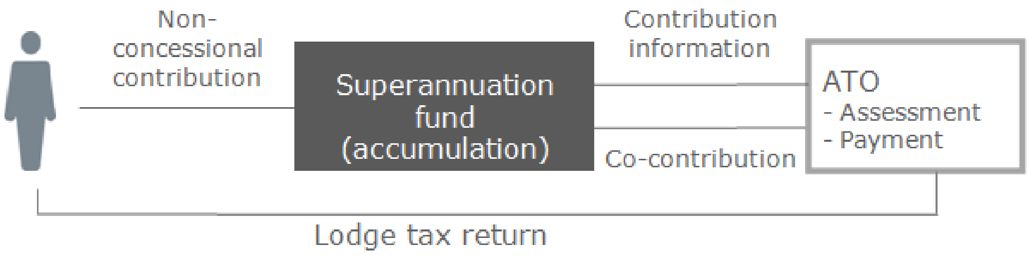
- Your retirement savings will increase because of the personal super contributions, with the co-contribution providing an additional boost.
- Your tax-free component in super will increase. The tax-free component is not taxable if taken prior to age 60 or if paid to a non-tax dependant (such as an adult child) after death.
- Additional contributions can help to cover the cost of insurance premiums if you own your insurance inside super.

How does the co-contribution work?

The co-contribution is a government initiative to help certain individuals boost their superannuation savings. To be entitled to a co-contribution, you need to meet the eligibility requirements and make a personal after-tax (non-concessional) contribution into your super.

First you need to be eligible to contribute to super, which means you must be either under age 65, or between 65 and 75 and have worked at least 40 hours in any 30 consecutive days in the financial year in which the contribution is made.

After the end of the financial year, the Australian Taxation Office (ATO) assesses your eligibility for the co-contribution based on contribution information from the super fund and your income tax return. If eligible, the ATO will pay your co-contribution directly into the superannuation account to which your personal contribution was made.



The co-contribution amount is equal to $0.50 for every $1 of eligible contributions made, up to a maximum which depends on your total income for the relevant financial year. The following thresholds apply for the 2015/16 financial year.

Total income	Maximum co-contribution
$35,454 or less	$500
$35,455 – $50,453	$500 – [(income - $35,454) x (0.03333]
$50,454 +	Nil

Eligibility requirements

To be eligible for the co-contribution, you must meet all of the following conditions.

- Your assessable income (plus reportable fringe benefits and reportable employer super contributions) for the financial year is less than $50,454.
- 10% or more of your total income is from employment and/or carrying on a business.
- You did not hold a temporary resident visa at any time during the financial year.
- You lodged an income tax return for the relevant financial year.
- You are under age 71 at the end of the relevant financial year.

Total income

Total income is used for two tests relating to the co-contribution – first to determine eligibility and secondly to determine the maximum co-contribution that could be paid.

For employees, total income is the same for both tests. It is the total of:

- assessable income (before tax deductions), plus
- reportable fringe benefits, plus
- reportable employer superannuation contributions (which includes amounts salary sacrificed to super).

For people who are self-employed, total income is different for each test.

- For eligibility purposes (ie where 10% or more of your total income is from employment and/or carrying on a business), total income is gross assessable income. It is not reduced by business deductions.
- To determine the maximum co-contribution payable, total income is the total of gross assessable income less any business deductions. Business deductions do not include personal deductions such as donations or personal super contributions.

Contribution caps

Contribution caps apply to superannuation contributions. The personal contribution you make to super to attract the co-contribution counts towards your non-concessional contributions cap. The co-contribution does not count towards any cap.

The non-concessional contributions cap for the 2015/16 financial year is $180,000.

If you are under age 65 on 1 July, you can bring forward two future years' of contributions to enable contributions of up to $540,000 over a three year period. This bring forward rule is triggered if your non-concessional contributions exceed the annual cap ($180,000 in 2015/16) in a financial year. If you have previously triggered the bring forward rule, any increase in caps since your trigger date will not apply until your three year period has elapsed.

Age at 1 July 2015	Annual non-concessional contributions cap	3-year non-concessional contributions cap
Under 65	$180,000	$540,000
65 or older	$180,000	Not applicable

If you exceed your non-concessional cap, excess contributions will be taxed at 49%.

For excess non-concessional contributions made after 1 July 2013, you can avoid the 49% tax by choosing to withdraw the excess contributions from super. If this election is made, 85% of the associated earnings will also need to be withdrawn and will be taxed at your marginal tax rate.

Other things you should know

- Most co-contribution payments are made between November and January each year and relate to personal non-concessional contributions made in the previous financial year.
- You should maintain a record of your super contributions in case you need to determine your available contributions cap in the future. Maintaining these records can help you avoid inadvertently exceeding your cap.
- Earnings on non-concessional contributions and co-contributions form part of your taxable component and attract tax at a maximum rate of 15%.
- All contributions to super are preserved until you meet a condition of release.