TRAC

The Retirement Advice Centre

The “Your Guide To” Series

Non-Concessional Contributions

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Your Guide to Non-Concessional Contributions

Making non-concessional contributions into super increases your retirement savings and your tax-free component.

What are the benefits?

- Your retirement savings will increase because of the extra contributions.
- 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.
- Investment earnings in super are taxed at a maximum rate of 15%. This rate may be lower than your marginal tax rate which applies to earnings from investments owned in your name.

How do non-concessional contributions work?

To be eligible to contribute to super, 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.

Non-concessional contributions are contributions made into your super account from your after-tax income. Non-concessional contributions include:

- Personal contributions where you have not claimed an income tax deduction
- After-tax income that you have requested your employer to direct into super on your behalf
- Spouse contributions (made by your spouse into your account
- Concessional contributions in excess of your concessional contributions cap that are not refunded.
- Contributions in excess of your capital gains tax (CGT) cap
- Some transfers from foreign super funds

Non-concessional contributions do not include co-contributions, superannuation guarantee (SG) contributions, salary sacrifice or certain contributions resulting from personal injury payments.

Non-concessional contributions are not taxed upon entry into super and form part of the tax-free component of your super account. This component is tax-free when withdrawn from super, even whilst you are under age 60. The tax-free component is also tax-free if paid, after your death, to a person who does not meet the definition of 'tax-dependant' (such as an adult child).

Contribution caps

Contribution caps apply to superannuation contributions. Non-concessional contributions count towards your non-concessional contributions 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.

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.

The non-concessional contributions cap is indexed annually. If you trigger the bring-forward rule, you will not benefit from indexation during the three year bring forward period.

Other things you should know

- 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 form part of your taxable component and attract tax at a maximum rate of 15%.
- All contributions to super are preserved until a condition of release is met.