Make the most of your super contributions

- ☑ Are you looking to grow your retirement savings?
- ☑ Do you make voluntary super contributions?
- ☑ Are you aware of the $27,500 contributions cap?

How does it work?

There are many important tax benefits associated with investing in super. But to make the most of these benefits you need to understand the different types of super contributions, and be aware of the limits (referred to as 'caps') that exist on how much you can contribute to super tax-effectively each financial year.

The two main types of contributions that have a cap are:

- Concessional (before-tax) contributions – these are generally made to a super fund by your employer, or if you're self-employed, those made by you for which you claim a tax deduction. Examples include Superannuation Guarantee (SG) contributions, salary sacrifice amounts, and any amount allowed as a personal deduction in your income tax return.
- Non-concessional (after-tax) contributions – these are personal super contributions which you or your spouse makes for you with after-tax income.

The following table shows the caps that currently apply to both concessional and non-concessional contributions. It also details the extra tax that would apply to any amounts that exceed the cap.

	Concessional contributions (before-tax contributions)	Non-concessional contributions (after-tax contributions)
Maximum contributions allowed (2021/22)	$27,500 cap	$110,000 cap $330,000 cap utilising the 3 year bring forward provision
Tax on amounts over the cap	Included in your income in the year of contribution and taxed at your marginal tax rate (0%-49%) plus an interest charge.	49%[1][2] unless withdrawn
Important information	Any concessional contributions in excess of the cap could also count towards your non- concessional contributions cap.	Total super balance must be under $1.7m to allow non-concessional contributions to be made

1. Members are allowed to withdraw excess non-concessional contributions and any associated earnings with the earnings only be taxed at the individual's marginal tax rate. Should the member decide to leave the excess non concessional contributions in the super fund, the excess is to be taxed at 49%.

What does it mean for me?

There are two key reasons why you need to know exactly what these amounts are:

- If you haven't reached your cap, there's an opportunity to boost your super and reduce your taxable income this financial year.
- If you have reached your cap, you may be subject to penalty tax on any excess super contributions you make before 30 June as per the table above.

Strategy in action

Chris aged 40 wants to make the most of his super contributions. He will have contributed a total of $12,000 to his super fund by the end of this financial year through employer SG.

Chris decides to enter a salary sacrifice agreement for the balance of this financial year to increase the level of concessional contributions made to his super fund, however, he's mindful not to exceed the cap of $27,500.

Chris can make an additional $15,500 (i.e. $27,500 – $12,000) in salary sacrifice contributions before he reaches his cap, giving his super a tax-effective boost.