

### ■ Who should read this Fact sheet?

The information in this Fact sheet is provided for accumulation members of ESI Super: Defined Contribution, Retained and Spouse members. The Fact sheet has been prepared to explain the difference between before tax and after tax contributions and how much you can contribute to super in a financial year.

### ■ Before tax contributions (referred to as concessional contributions)

Concessional contributions are the contributions you and your employer make into super before tax is taken out of your wages. These contributions are subject to a concessional tax rate of 15% that is applied when they go into the Fund, provided that the Fund has been informed of your Tax File Number (TFN). Concessional contributions include:

- Compulsory employer contributions (including Superannuation Guarantee (SG) and Award contributions)
- Any salary sacrifice contributions you arrange with your employer to be made to your ESI Super account
- Personal contributions for which a tax deduction is claimed e.g. self-employed members.

### ■ What limits (caps) apply to my before tax contributions?

As before tax contributions are taxed concessional going into and out of super (with 0% tax on withdrawals if you are over 60), the Government has placed limits on how much can be contributed in a financial year. These caps on contributions do vary depending on your age on the last day of the financial year. The consequences for exceeding the caps on contributions can be very costly, so it is important to monitor how much has been contributed.

If you are under age 50 on the last day of the financial year, your total before tax contributions are subject to a cap of \$25,000 in the 2009/10 financial year. The \$25,000 cap will be indexed to the average weekly ordinary time earnings (AWOTE) and rounded down to the nearest multiple of \$5,000. This means that indexation may not apply every year.

If you are aged 50 or over on the last day of the financial year, there is a three year transition period between 1 July 2009 and 30 June 2012, which allows an annual cap of \$50,000. This \$50,000 cap will not be indexed.

If you are considering making before tax contributions to increase your retirement savings and reduce your taxable income, you should note the limits placed on your before tax contributions in any financial year. If you exceed the contribution cap, excess contributions will be subject to an additional tax, on top of the 15% tax paid on before tax contributions, of 31.5% (including Medicare levy). This means any contributions above the cap will be taxed at 46.5% and will also count towards the non-concessional contributions cap. If you exceed both caps, a total of up to **93% tax** could potentially apply to your excess contributions.

### ■ After tax contributions (referred to as non-concessional contributions)

Non-concessional contributions include any personal after tax contributions made into super and spouse contributions received. These contributions are not taxed going into the Fund. Non-concessional contributions include:

- Personal after tax contributions (regular or lump sum)
- Spouse contributions
- Excess before tax contributions
- Some amounts transferred from overseas pension funds that are not subject to contributions tax.

The following contributions are not taxed going into the Fund, but do not count as a non-concessional contribution:

- Government's co-contribution
- Personal injury payments where no tax deduction is claimed
- Small business sale proceeds up to the capital gains tax cap of \$1.1 million.

**It is your responsibility to monitor your contributions caps. ESI Super is not able to warn you about a potential breach of the cap, therefore you should regularly check your contribution totals throughout the year.**

**Please note:** ESI Super is not able to accept any after tax contributions if your Tax File Number has not been provided.

## ■ What limits (caps) apply to my after tax contributions?

As after tax contributions are not taxed when they are paid out of super, the Government has placed limits on how much can be contributed in a year. The consequences for exceeding the caps on contributions can be very costly, so it is important to monitor how much has been contributed.

The limit is always six times the cap for before tax contributions (currently \$150,000 per financial year).

If you are under age 65 (on the last day of the financial year), you can use the 'bring forward' rule to make after tax contributions in excess of the cap. The bring forward rule allows a member to make up to the equivalent of three years non concessional contributions (\$450,000 at current levels) in a single year, provided that no further after tax contributions are made in the following two years. However, if your after tax contributions exceed \$450,000 in total over a three financial year period, you will be subject to additional tax.

ESI Super is unable to accept an after tax contribution exceeding the non-concessional contributions cap and we will refund the full amount of the contribution that causes you to breach the cap.

If you make super contributions to one or more super funds that together exceed the contribution cap, you will be taxed at the top marginal tax rate of 45% plus Medicare levy of 1.5%.

## ■ Some tips for managing your concessional contributions cap

- If you choose to salary sacrifice a percentage of your salary (rather than a dollar amount per pay period) to super, then any salary increases that you receive during the year will most likely increase your concessional contributions as well. Members need to be aware if they are close to the cap
- Any contributions paid by your employer to cover insurance premiums also count toward your concessional cap.
- Sometimes under special conditions, employers agree to increase a superannuation benefit. Such increases will count towards your concessional contributions cap and would add to any other concessional contributions you have already made

## ■ How will I be notified if I exceed the cap?

Super funds report all contributions made on your behalf to the Australian Taxation Office (ATO) and the ATO monitors these contributions to determine when a cap has been breached.

If you exceed the contributions caps, the ATO will assess the amount of excess contributions tax that will apply. The ATO will then issue you with a tax assessment notice in writing. If you are dissatisfied with the ATO's assessment, you may lodge an objection to it. The ATO may amend the assessment within four years of the original assessment.

## ■ How do I pay the excess concessional contributions tax?

There are three payment options:

- **Pay the tax yourself.** If you choose this payment option, you will have 21 days from receiving the assessment notice to pay the excess tax. Use the *Voluntary Release Authority* (obtained from the ATO) to ask your super fund to release the money to you. Any tax unpaid after 21 days may be subject to a General Interest Charge (GIC); or
- **Pay the tax amount out of your own pocket and don't ask for a refund.** Pay the tax yourself without drawing on your super; or
- **Pay the tax amount from your superannuation account.** A *Voluntary Release Authority* must be provided to the super fund that you wish to pay the excess contribution tax from within 21 days of the date on the *Voluntary Release Authority*. After 21 days, the authority will expire and you will have to apply for a new one to withdraw your excess contributions tax. You may also be subject to the GIC.

## ■ How do I pay the excess non-concessional contributions tax?

There are two payment options:

- **Pay the tax yourself.** Use the *Compulsory Release Authority* to ask your super fund to release the money to you and then pay the tax yourself, or
- **Pay the tax amount from your superannuation account.** Use the *Compulsory Release Authority* (obtained from the ATO) to instruct your fund to pay the money to the ATO on your behalf. The excess non-concessional contribution tax must be paid within 21 days. After 21 days, the authority will expire and you will have to apply for a new one to withdraw your excess contributions tax. You may also be subject to the GIC.

Regardless of which method you choose you must withdraw the full amount of your excess non-concessional contributions tax from your super.

## More information

Call us on **1300 363 240** Email us at [super@esisuper.com.au](mailto:super@esisuper.com.au) or visit [esisuper.com.au](http://esisuper.com.au)

### Disclaimer

This fact sheet has been prepared for the general information of members of ESI Super. It does not take into account any member's individual financial objectives, financial situation or needs. Any statements of law or proposals are based on our interpretation of the law or proposals as at 18 December 2009. We recommend that you seek help from a licensed financial adviser before acting on any information contained in this fact sheet. While all due care and diligence has been taken in the preparation of this fact sheet, the terms of the trust deed prevail. Electricity Supply Industry Superannuation (Qld) Ltd (ABN 30 069 634 439 AFSL 336567) is the Trustee for the Electricity Supply Industry Superannuation Fund (Qld) (ABN 33 761 363 685)