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NEW OPPORTUNITIES FOR EMPLOYEES TO CLAIM ADDITIONAL SUPERANNUATION

Under the current rules, the maximum amount of "concessional" superannuation contributions that can be claimed is $25,000.00 per person per annum. This is referred to as the "Concessional Contributions Cap". Concessional contributions refer to those contributions that are claimed as a tax deduction by the person or entity paying the contribution. They include employer contributions, salary sacrifice contributions and personal deductible contributions.

Up until 30th June 2017, the so called "10% rule" applied where you could only claim personal contributions if you income from employment was less than 10% of your total income. *Note that the definition of "income" included "assessable fringe benefits" and "reportable superannuation contributions".*

This restriction meant that many employed individuals could not make deductible personal contributions to reduce their taxable incomes and the only way to maximize their total concessional contributions cap was to make arrangements with their employer for a salary sacrifice arrangement where they would reduce their gross salary in favour of the employer making a larger contribution (above the normal 9.5% of salary) to the employees super fund. These salary sacrifice arrangements are still available and continue to provide the same benefits, an employee may not always be able to make such arrangements with their particular employee. Salary sacrifice arrangements can only be made prospectively, which means that if say the employee wanted to make a lump sum contribution near the end of the financial year, this would not be possible.

With the changes applying from 1 July 2017, employees can now make additional personal contributions and claim a tax deduction for the additional contributions, thus putting them on the same footing as self-employed people. The additional flexibility of this system may be helpful in several different scenarios. Take the following for example:

- Mary is working as a specialist teacher earning say $110,000
- She has had an investment property in a capital city for many years and decides to sell the property to re-arrange her investments in preparation for planned retirement in a few years
- She is shocked to find out from her accountant that based on the estimated sale price, there will be a taxable capital gain of $100,000 on the sale of the property which will cost her almost $45,000 in additional tax.
- Mary is able to make an additional contribution to superannuation of $14,500 and as a result reduces her tax bill by around $7,000
- Although Mary's super fund will have to pay tax of $2,175 on the additional contribution, she is still almost **$5,000** better off.

Or take the case of Joe who is employed as a builder and earns $60,000 pa. In May, Joe receives a bequest of $25,000 from the estate of a recently deceased relative. He would like to retain around $6,000 of the money to take the family on a holiday trip and save the balance of $19,000. After talking to his financial adviser, Joe decides to contribute the full $25,000 to his existing superannuation fund; $19,000 is claimed as a concessional contribution and $6,000 as a non-concessional contribution. As a result of claiming the additional contribution, Joe receives an additional tax refund of $6,800, which he uses for the family holiday. After allowing for the additional tax in the super fund on the concessional contribution of $2,850 (i.e. 15% of $19,000), Joe has increased his net savings by **$3,150** and also has an additional **$800** spending money for the holiday!

Note that people who are 65 or older, are still required to meet the "work test" in order to claim concessional contributions although this is not normally an issue for people with a significant part of their income coming from wages.

Note also that just like salary sacrifice superannuation contributions, Centrelink add back any personal concessional contributions claimed when assessing entitlements that are subject to the "income test".

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Bob's career spans more than 40 years in accounting, taxation and financial services. His specialty is self-managed superannuation funds and the development and management of financial accounting software.

Bob has experience as a partner in a large accounting firm, as administrator of a large corporate superannuation fund with more than 1000 members and as owner/founder of Practical Systems.