WHAT ARE THEY AND HOW DO THEY WORK?

In most circumstances your superfund can receive up to $27,500 each year in 'concessional' superannuation contributions. Contributions are counted toward the limit when they are received, rather than for the period they relate to. Making additional concessional super contributions can help you bulk up your retirement savings, while also harnessing tax incentives.

SUPER GUARANTEE CONTRIBUTIONS

Superannuation your employer is required to contribute.

SALARY SACRIFICE SUPER

Where funds are deducted by your employer from your pay 'pre-tax' to increase super. These reduce your taxable income from your employer.

PERSONAL SUPER CONTRIBUTIONS

Where you contribute to super from 'post-tax' income or savings. These, or a portion of these, can be claimed as a tax deduction.

CONCESSIONAL CONTRIBTIONS

The total of super guarantee, salary sacrifice super, and personal super contributions you claim in your tax return.

10%

The super guarantee percentage your employer must pay on ordinary earnings

$27,500

The annual limit for concessional super contributions.

15%

Tax rate paid by your fund on concessional contributions

Learn more about super contributions now:

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Superannuation Contributions

CONSIDERATIONS

	SALARY SACRIFICE SUPER	PERSONAL SUPER CONTRIBUTIONS
What is it?	Where funds are deducted by your employer from your pay 'pre-tax' to increase super.	Where you contribute to super from 'post-tax' income or savings.
What do you have to do?	Request your employer to deduct additional super from your pay. It may be wise to keep an eye on your super fund to ensure amounts are being received.	After year end complete a Notice of Intent to claim, and submit it to your super fund before you lodge your tax return. Once you receive confirmation, you can claim the deduction in your tax return.
How it will affect your tax:	Because it is 'pre-tax' it will reduce your taxable income and so, on each pay run, less tax will be taken out of your pay. It will not increase or decrease your tax return.	You will be able to claim a tax deduction for the amount you contributed (subject to 'what you have to do' above), and so it will increase your refund or decrease the amount payable in your tax return.
Which will give the better outcome:	From a tax perspective, the outcome will be the same for both methods. Salary Sacrifice super will see you save tax on each pay run, while personal super contributions will give you a bigger refund/reduce amount due in your tax return.	
Pros & Cons:	• + Easier process - employer does most of the work • + Smaller amounts taken out frequently - less noticeable • + Saves tax straight away - each pay run • - A little less control - you can't decide exactly when and how much to the dollar.	• + You can decide exactly how much goes in on what date • + Bigger refund/less payable at tax time • + Useful for tax planning at time of capital gains tax events • - More work - you need to complete a notice of intent to claim and wait for the super fund to respond. • - After tax and/or lump sum payments to super fund - you actually have to pay this and it will reduce your savings.

Case Study:

Alex has a taxable income of $120,000. His employer contributes super guarantee of $12,000. Alex is considering putting in $15,000 of his own funds, and is wondering what the benefit might be and what he could claim in his tax return. $12,000 + $15,000 = $27,000, so Alex is comfortable he will be below the $27,500 cap.

Savings in personal tax:	*Additional tax paid by super fund (taken out of contribution):*	***Net Tax Savings***
$15,000 x 32.5% (tax rate at $120,000)	*$15,000 x 15% (tax rate at $120,000)*	***$4,875 - $2,250***
= $4,875	*= $2,250 (so net contribution ends up being $12,750)*	***= $2,625***

If Alex contributes $15,000, he will personally save $4,875 in tax. Taking into consideration the 15% tax on the contribution paid by the superfund, the net contribution will be $12,750. If done by salary sacrifice weekly, the tax withheld from his pay would be reduced by $99. If he did a personal super contribution and submitted a notice of intent to claim, he would see the benefit in his tax return.

Things to keep in mind:

- Div 293 - extra 15% tax on super contributions when your taxable income plus super contributions, net rental loss and Reportable Fringe Benefits Tax is over $250,000.
- Once you have put money into super, you cannot take it out unless you fulfil release requirements.
- The calculation of net savings would increase/decrease based on taxable income of the individual, as well as the amount contributed. To calculate net savings, take the rate from the tax bracket you are in minus 15% or 15 cents per dollar x the total contribution.
- Super contributions tend to result in net savings if your taxable income is $37,000 or higher. If your taxable income is lower than this, there are generally no net tax savings.

Contact us about super contributions now: phone 08 9459 155 or email admin@richwood.com.au