**Recent changes increasing the superannuation contribution caps**

From 1 July 2014, the superannuation contribution caps have increased, allowing an opportunity to place more money in superannuation going forward. The contribution caps control the amount you can place into superannuation each year without facing penalty tax. If you are at least 50 you have higher contribution caps.

There are two contribution caps – the concessional contribution cap and the non-concessional contribution cap.

The concessional contribution cap limits the amount of contributions to superannuation that are made from pre-taxed income. This includes super guarantee amounts paid by your employer, salary sacrifice amounts and tax-deductible personal contributions.

The non-concessional cap applies to contributions made to superannuation from after tax income such as your after tax salary and wages or savings. It can also come from transferring a limited range of investments you own, such as listed shares, to your SMSF.

The changes to the contribution caps are:

People aged 50 and over

The concessional contribution cap for those aged 50 or over has increased to $35,000 from 1 July 2014. You are eligible for the higher contributions cap if you are 49 or over on 30 June just before the financial year commences.

General concessional cap

The general concessional contribution cap, which applies to those under age 50, has increased to $30,000 from 1 July 2014.

The non-concessional contribution cap for a financial year has also increased to $180,000 as it is six times the general concessional contribution cap. The increase in the non-concessional cap means that the three year “bring forward rule” has increased to $540,000 from 1 July 2014. The bring forward rule allows people aged under 65 to access a non-concessional cap of $540,000 over a fixed three year period commencing once you have made non-concessional contributions of more than $180,000 in a financial year. This can allow you to contribute large amounts to superannuation in a short period.

Contributing more to superannuation will help your retirement savings grow, and in some circumstances, reduce the amount of income tax you pay. Here is an example:

Mary, aged 55

Mary is aged 55 and earns a salary of $91,300 per year. Ordinarily, Mary’s income tax liability (including Medicare levy) for the 2014-2015 year will be $23,563.

Mary’s employer is required to pay $8,673.50 in Superannuation Guarantee payments for the 2014-2015 financial year which is 9.5% of her salary. With the increased concessional cap, Mary can salary sacrifice $26,326.50 into her SMSF ($35,000 - $8,673.50). She will not pay income tax on the amount paid to superannuation. By salary sacrificing to superannuation, Mary’s income tax liability would reduce from $23,563 to $13,947.

(It is important to remember that Mary’s concessional contributions will be taxed at 15% in her superannuation fund).

**How can we help?**

If you need assistance with any aspect of making contributions to superannuation, please feel free to give me a call to arrange a time to meet so that we can discuss your particular requirements in more detail.