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Concessional contributions

Concessional contributions include all contributions that are made by an employer on behalf of an employee, including Superannuation Guarantee and salary sacrifice amounts. They also include contributions where a tax deduction is claimed.

How concessional contributions work

All concessional contributions made are initially taxed within the superannuation fund at a flat rate of 15% (high income earners may have additional tax levied later).

Concessional contributions can be made by any individual under 67. Individuals aged 67 and over must pass a work test to be eligible to make personal concessional contributions. The work test does not need to be passed to be eligible to make salary sacrifice contributions.

The work test requires an individual to be gainfully employed for at least 40 hours within a 30 day period in the financial year.

Gainfully employed is defined as "employed or self-employed for gain or reward in any business, trade, profession, vocation, calling, occupation or employment". The work test can be satisfied in Australia or overseas.

Personal contributions can be accepted on behalf of a member up to 28 days after the end of the month in which the member turns age 75. Only contributions that an employer is required to make to satisfy the requirements of a particular award, certified agreement or the Superannuation Guarantee provisions can be received by an individual over 75.

All contributions into a superannuation fund will be locked away, or preserved, until an individual is at least age 55 and retired. The preservation age is greater for individuals born after 1 July 1960.

Date of birth	Preservation age
Prior to 1 July 1960	55
1 July 1960 to 30 June 1961	56
1 July 1961 to 30 June 1962	57
1 July 1962 to 30 June 1963	58
1 July 1963 to 30 June 1964	59
After 30 June 1964	60

Concessional contribution cap

The concessional contribution cap is currently $27,500, including Superannuation Guarantee contributions made on an individual's behalf by their employer. The concessional contribution cap is indexed annually to average weekly ordinary time earnings in increments of $2,500 (rounded down).

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Taxation implications of concessional contributions

An example of the taxation implications of making concessional contributions of $27,500 is provided below:

	21%* Tax rate	34.5%* Tax rate	39%* Tax rate	47%* Tax rate
Reduction in personal tax	$5,775	$9,487	$10,725	$12,925
Less: Concessional contributions tax ($27,500 x 15%)	($4,125)	($4,125)	($4,125)	($4,125)
Total	**$1,650**	**$5,362**	**$6,600**	**$8,800**

* Including Medicare Levy.

What happens if the concessional contribution cap is exceeded?

Any concessional contributions made in excess of the concessional contribution cap will be included in the individual's income tax return and assessed at their marginal tax rates (plus Medicare levy), less a 15% offset for tax payable by the fund.

This tax will be paid personally by the individual that exceeded the concessional contribution cap. Individuals can elect to withdraw the excess concessional contributions, less the 15% tax payable by the fund. If the excess concessional contributions are not withdrawn they will be reclassified as non-concessional contributions.

An example of how excess contributions tax is levied is provided below:

	21%* Tax rate	34.5%* Tax rate	39%* Tax rate	47%* Tax rate
Excess contributions	$10,000	$10,000	$10,000	$10,000
Tax levied on excess contributions	$2,100	$3,450	$3,900	$4,700
Less: Offset for contributions tax paid (15%)	($1,500)	($1,500)	($1,500)	($1,500)
Additional tax payable	**$600**	**$1,950**	**$2,400**	**$3,200**

* Including Medicare Levy.

Types of concessional contributions

Salary sacrifice

Concessional contributions can be made via a salary sacrifice agreement with an individual's employer. The individual enters an agreement with their employer to have part of their salary paid as concessional contributions to a complying superannuation fund.

The individual's assessable income is reduced by the amount sacrificed as a concessional contribution and tax is withheld by their employer based on the reduced assessable income, effectively allowing the tax saving to be received throughout the financial year.

A formal salary packaging agreement is required to be entered into with the employer and only future salary entitlements can be sacrificed.

Personal concessional

Concessional contributions can be made personally. By making personal concessional contributions an individual can reconcile any Superannuation Guarantee contributions made by their employer prior to making additional concessional contributions in order to maximise their contributions whilst ensuring they do not exceed the concessional contribution cap.

An intention to claim a tax deduction form is required to be lodged with the fund receiving the personal concessional contributions. The fund must also provide acknowledgment accepting the intention. This process must be completed prior to lodging the individual's tax return for the financial year in which the contribution is made.

The tax saving from making personal concessional contributions will be received upon lodgement of the annual individual income tax return.

Catch up concessional contributions

Individuals with total superannuation benefits of less than $500,000 on 30 June 2022 are able to access any unused concessional contribution cap from the

2018-2019, 2019-2020, 2020-2021, 2021-2022 and 2022-2023 financial years in a future year.

For example:

Concessional contribution cap 2018-2019	$25,000
Less: Concessional contributions 2018-2019	($10,000)
Unused cap 2018-2019	$15,000
Concessional contribution cap 2019-2020	$25,000
Less: Concessional contributions 2019-2020	($10,000)
Unused cap 2019-2020	$15,000
Concessional contribution cap 2020-2021	$25,000
Less: Concessional contributions 2020-2021	($10,000)
Unused cap 2020-2021	$15,000
Concessional contribution cap 2021-2022	$27,500
Less: Concessional contributions 2021-2022	($10,000)
Unused cap 2021-2022	$17,500
Concessional contribution cap 2022-2023	$27,500
Less: Concessional contributions 2022-2023	($10,000)
Unused cap 2022-2023	$17,500
Concessional contribution cap (2023-2024)	$27,500
Total ($15,000 + $15,000 + $15,000 +$17,500 +$17,500 + $27,500)	**$107,500**

Individuals are able to access their unused concessional contribution cap on a rolling basis for a period of five years. Amounts carried forward that have not been used after five years will expire. The individuals Total Super Balance must be less than $500,000 as at 30 June of the previous financial year to be able to contribute any accumulated unused concessional contribution cap.

When making concessional contributions above the general concessional contribution limit to use carried forward amounts, the oldest available unused cap amounts are used first.

From 1 July 2024 unused concessional contributions from the 2018-2019 financial year will no longer be available. However unused concessional contributions from the 2023-2024 financial year will be available from 1 July 2024.

Concessional contribution splitting

Concessional contributions received by a superannuation fund on behalf of an individual can be split to their spouse. This can assist in equalising superannuation benefits or effectively transferring superannuation benefits to the account of the older spouse who will reach their preservation age sooner.

Individuals are able to split the lesser of:

- 85% of the concessional contributions received; or
- The concessional contribution cap for the year.

Superannuation funds are not required to offer contribution splitting. It is up to each individual fund to decide to make contribution splitting available. Contributions that are split count towards the contribution limits of the individual who received the initial contributions, not the spouse.

Individuals can only split contributions with a spouse who:

- Are under their preservation age at the time of the request, or
- Have reached preservation age and are under 65, and do not satisfy the 'retirement' condition of release at the time they request to split their contributions.

Contribution splitting is not available if the spouse is 65 or older.

Contributions made in a financial year can be split in the following financial year e.g. a contribution made between 1 July 2022 and 30 June 2023 could be split from 1 July 2023 until 30 June 2024.

If an individual intends to rollover or withdraw their entire superannuation balance before the end of a financial year, they must apply to split any contributions received during the financial year by the fund prior to the rollover or withdrawal.

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Constitutionally protected funds and defined benefit funds

Concessional contributions to constitutionally protected funds and defined benefit funds count towards the concessional contribution limit. If contributions exceed the $27,500 concessional contribution cap to one of these funds, the member will not receive an excess contribution notice.

Where contributions up to, or in excess of the concessional contribution cap are made to a constitutionally protected fund or defined benefit fund, any further concessional contributions made to a taxed superannuation fund, (such as a Self-Managed Superannuation Fund or retail superannuation fund) will be treated as excess contributions and will be subject to tax.

For example:

Contributions to a constitutionally protected or defined benefit fund	$50,000
Concessional contribution cap	($27,500)
Excess contributions	$Nil
Concessional contributions to a taxed fund	$10,000
Concessional contributions cap remaining	$Nil
Excess concessional contributions received by taxed fund	**$10,000**

Contributions tax for high income earners

Where an individual's income is above a $250,000 threshold an additional 15% tax will be levied. While this is a personal tax levied on an individual a request can be made to pay the amount from a superannuation fund.

The $250,000 threshold is calculated as follows:

Taxable income (assessable income less allowable deductions)
Plus (+)total reportable fringe benefits amounts
Plus (+)net financial investment loss
Plus (+)net rental property loss
Plus (+)net amount on which family trust distribution tax has been paid
Less (-)super lump sum taxed elements with a zero tax rate

An example of the tax implications of making concessional contributions of $27,500, where contributions tax for high income earners would apply is provided below.

Reduction in personal tax ($27,500 x 47%*)	$12,925
Less: Tax levied an concessional Contributions ($27,500 x 15%)	($4,125)
Less: Additional contributions tax for high income earners ($27,500 x 15%)	($4,125)
Total	**$4,675**

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