While your money is in super, fund income and certain contributions may be taxed. The amount of tax paid depends on the types of contributions you make and the taxation status of your super fund. This factsheet mainly focuses on taxation of super contributions and earnings during the ‘accumulation’ phase. Publications regarding income stream products and taxation are available by calling 1300 020 110 or by visiting nationalseniors.com.au.

**Tax on contributions**

There are two types of contributions, Concessional and Non-Concessional, both of which are subject to contribution caps. For information on the contribution caps refer to Fact Sheet ‘Super Contributions and Caps’.

**Concessional**

Concessional Contributions (CC) form part of the Taxable Component and are taxed at 15% on entry, up to the CC cap. However people whose income is $37,000 or less may be eligible to receive the Low Income Super Tax Offset (LISTO) which effectively repays the tax paid on concessional contributions back into the super fund. Prior to 1 July 2017 this was referred to as the Low Income Super Contribution.

The tax concession for high income earners as ‘Division 293 Tax’ rules apply. This effectively increases the tax to 30% on concessional contributions made for the portion of income and CC’s above the threshold. From 1 July 2017 the assessed income threshold for Division 293 Tax purposes is $250,000. For more information on Division 293 Tax visit the Australian Tax Office website www.ato.gov.au.

The CC cap for the 2018/19 financial year is $25,000. For those with super balances below $500,000 catch up CC’s may be allowed. Refer to our Fact Sheet ‘Super Contributions and Caps’ for more information.

The cap is indexed to Average Weekly Ordinary Time Earnings (AWOTE) in increments of $2,500, rounded down.

Breaching the CC cap means the excess contributions are included in the member’s income and taxed at their marginal tax rates plus an interest charge. A tax offset of 15% is allowed for the tax already paid in the hands of the fund. You can provide the fund a release authority for 85% of the excess, which is then released to you. If the excess is not released and is held in the fund, the excess is counted towards your Non-Concessional Cap and you still pay tax on it.

Care should be taken as contributions are counted towards the cap when they are received by the fund and there can be a delay from when the contribution was made or deducted to when it is received by the fund i.e. in the following financial year.
**Tax deductions for contributions**

From 1 July 2017 anyone who is eligible to make voluntary superannuation contributions will also be eligible to make personal (tax deductible) Concessional Contributions. Care should be taken to not exceed the CC cap ($25,000 for 2018/19).

If you intend to claim a deduction for all or part of your contribution to superannuation, you must notify your fund in writing of your intention to claim or vary a tax deduction. This notice must be acknowledged by the fund. Any excess above the concessional cap may count towards the non-concessional cap. See above.

If a tax deduction is claimed, tax up to a maximum rate of 15% is applied by the superannuation fund to the portion claimed as a tax deduction.

**Non-Concessional**

Non Concessional Contribution’s (NCC) form part of the ‘Tax Free’ component within the member’s account. No Tax is payable on NCC’s within the applicable cap however any excess is subject to tax. If you exceed the NCC cap, you can have all of the excess contributions and 85% of the earnings refunded to you. You will still have to pay tax on those earnings yourself at your Marginal Tax Rates (MTR), but you receive a 15% tax offset for tax paid by the fund on those earnings. If you leave the excess contribution in the fund, it will be taxed at the top MTR including Medicare levy.

From 1 July 2017 the NCC cap is $100,000 for those with superannuation balances of up to $1.6M. Subject to certain conditions a ‘Bring Forward’ rule may apply which allows up to three times (x3) the cap to be contributed in a financial year. For more information on contribution caps refer to fact sheet ‘Super Contributions and Caps’.

**Spouse Contributions**

To encourage NCC’s on behalf of a spouse, the Federal Government offers a tax offset of up to $540 per annum on eligible spouse contributions. Spouse contributions are non-concessional contributions and are subject to the receiving spouse’s NCC cap.

The maximum tax offset is available to the contributing spouse of a couple, including same sex couples, who is married or in a de-facto relationship and their partner for whom the contribution is made has income not exceeding $37,000 per annum. Income used to assess eligibility for the tax offset includes assessable income and Reportable Fringe Benefits (RFB). From 1 July 2009 salary sacrifice contributions to superannuation are considered RFBs (FBT exempt) and also included in the calculation of assessable income.

The spouse making the contribution will receive an 18% tax offset on contributions of up to $3,000 per annum. A partial offset applies if the receiving spouse’s income, including RFB, is more than $37,000 per annum, reducing on a dollar for dollar basis until their income is $40,000 per annum.

**Government Co-contributions**

To encourage NCCs a co-contribution is paid by the Federal Government to eligible contributors. A maximum co-contribution of $500 is payable for a NCC of $1,000 from a person whose taxable income including RFB is less than $36,813 in the 2017/18 financial year and $37,697 in the 2018/19 financial year. The co-contribution tapers to nil when taxable income including RFB reaches $51,813 in 2017/18 and $52,697 in 2018/19.

Co-contributions paid form part of the member’s tax exempt component.
Tax on superannuation fund earnings

Taxed/Funded Funds

A complying super fund is one that receives concessional taxation status whereby income (including realised capital gains) within the fund are taxed at a maximum rate of 15% while in the accumulation phase. Earnings that the fund generates when in the accumulation phase are added to the Taxable component of the members account.

To be considered a complying super fund, the fund must abide by the Superannuation Industry Supervision (SIS) Act. The earnings of a non-complying super fund are taxed at the highest Marginal Tax Rate (MTR) (refer to www.ato.gov.au for individual MTRs).

Untaxed/Unfunded Funds

Untaxed funds are often referred to as Defined Benefit funds and are generally paid from consolidated revenue or an employer. As the member’s benefit is ultimately determined by using set factors upon withdrawal, such as length of service and final average salary, tax is not levied prior to withdrawal or during the term of employment of the member.

Because of this ‘untaxed’ status, tax is applied upon withdrawal of the funds whether by a lump sum or by income stream. For more information refer to the fact sheet ‘Superannuation and Tax – Withdrawals’.

Superannuation fund components

Taxable component

The taxable component can have ‘Taxed’ or ‘Untaxed’ elements depending on the fund type and generally include any Concessional Contributions such as employer contributions and Salary Sacrifice.

Tax Free component

The Tax Free component includes any Non-Concessional contributions or Personal (non-Tax Deductible contributions), Spouse Contributions and Government Co-Contributions.