Monthly Information Newsletter – Tax & Super

May 2021

Dealing with excess before-tax super contributions

Making extra before-tax contributions into super (called concessional contributions) can help boost a person's retirement savings. But fund members need to be aware of the implications for when they exceed the concessional contributions cap.

Since 2013-14, when the excess concessional contributions refunding scheme came into effect, individuals exceeding their concessional contribution cap will accrue a tax liability.

The excess concessional contribution (CC) amount will be added to the individual's assessable income for the relevant year and taxed at their marginal tax rates plus an excess CCs charge (as explained below). The individual will, however, be entitled to a 15% non-refundable tax offset to compensate for the tax already paid by their fund(s) on the same excess amount.

The ATO will determine whether there are any excess CCs once the individual's fund has finalised its reporting requirements and the individual has lodged their personal tax return for the relevant income year.

Upon exceeding their CCs cap, the individual will receive an excess CC determination from the ATO advising them that their excess CCs amount has been included as assessable income in their tax return. Together with the determination, the ATO will issue the individual with an income tax return notice of assessment or notice of an amended assessment.

Case study

- Greg is 54 years old and subject to a marginal tax rate of 34.5% (including the Medicare levy).
- Greg's only superannuation interest is in his self-managed superannuation fund (SMSF). His total superannuation balance (TSB) on 30 June 2019 was $1.8 million.
- Greg had super guarantee (SG) and personal deductible contributions totalling $30,000 in CCs made into his SMSF during 2019-20.
- Greg's CCs cap for 2019-20 was $25,000, giving him an excess CCs of $5,000.
- The total CCs amount of $30,000 is reported to the ATO as part of the super fund's 2019-20 annual return.
- Greg lodges his personal income tax return for 2019-20 on 31 August 2020 and receives a notice of assessment with payment due 21 September 2020.