

## **Super contribution caps to increase for 2014-15**

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**Wednesday, 19 March 2014**

Following a temporary freeze on the indexation of the concessional contribution caps for some years by the former government, the 2014-15 financial year will finally see an increase from the present \$25,000 concessional contributions cap up to \$30,000. The cap of \$25,000 has been in place since 2009-10.



The Tax Office recently updated its published list of concessional caps, confirming the resumed indexation of the concessional contribution cap. It is to be indexed in line with average weekly ordinary time earnings (AWOTE).

The imminent increase will effect a range of changes to various contribution strategies for self-managed superannuation fund (SMSF) members and APRA-regulated superannuation fund members alike, so it is important to start thinking about planning for the increase in readiness for the 2014-15 financial year.

However it is important to note that the indexation will not apply to the temporary higher cap of \$35,000 currently available to those individuals 59 and over as at June 30, 2013 (for 2013-14).

However, the temporary higher cap will extend to individuals who are 49 and over at June 30, 2014, and will apply for the 2014-15 financial year. The temporary higher cap for these people will cease when indexation of the general concessional contributions cap results in it reaching \$35,000.

This indexation of the concessional contribution cap has some important additional flow-on effects to the non-concessional contribution cap, with this post-tax contribution cap being calculated as six times the concessional contributions cap. Therefore, from July 1, 2014 the non-concessional contribution cap will increase from \$150,000 to \$180,000. For superannuation fund members under age 65 at July 1, 2014, they will be eligible to utilise a higher bring-forward amount of \$540,000 (up from \$450,000).

Concessional contribution caps were introduced on July 1, 2007, and have been a source of contention for super fund members ever since. Readers may remember them changing substantially from \$100,000 for individuals aged 50 and over back in 2007-08 and 2008-09. The constant fiddling with the caps has frustrated many members' aims with regard to effective retirement planning (see the tables below for historical rates).

### Concessional contribution caps.

These are “before-tax” contributions included in the assessable income of a fund.

Financial year	Under 50 at all times during financial year	50 or more on last day of financial year
2007-2008	\$50,000	\$100,000
2008-2009	\$50,000	\$100,000
2009-2010	\$25,000	\$50,000
2010-2011	\$25,000	\$50,000
2011-2012	\$25,000	\$50,000
2012-2013	\$25,000	

Any concessional contributions in excess of the cap will also count towards the individual's non-concessional contributions cap.

### Non-concessional contribution caps

These are “after-tax” contributions that are not included in the assessable income of a fund.

Financial year	Aged 64 or less on July 1 of financial year	Over 65 (but under age 75*) on July 1
2006-2007	\$1,000,000	\$1,000,000
2007-2008	\$150,000 <sup>1</sup>	\$150,000
2008-2009	\$150,000 <sup>1</sup>	\$150,000
2009-2010	\$150,000 <sup>1</sup>	\$150,000
2010-2011	\$150,000 <sup>1</sup>	\$150,000
2011-2012	\$150,000 <sup>1</sup>	\$150,000
2012-2013	\$150,000 <sup>1</sup>	\$150,000

\* The contribution can be made up until 28 days after the end of the month the member turns 75

<sup>1</sup> Subject to the three-year “bring forward” rules applying. Under these arrangements, a member who is under 65 years of age in an income year can “bring forward” two years’ worth of future contributions entitlements. The “bring forward” arrangement is

triggered automatically if contributions in excess of the annual cap are made in a financial year.