Xpress Super Information

contributing to your SMSF

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Your Simpler SMSF Solution!

Accepting contributions in a Self Managed Superannuation Fund (SMSF) is an increasingly complex area for many SMSF Trustees. Understanding how and when to contribute cash or assets to your SMSF is crucial to ongoing compliance, so it's important that you are familiar with the super contribution rules as they evolve.

What is a contribution?

A superannuation contribution is 'anything of value that increases the capital of a superannuation fund provided by a member, spouse of a member or an employer whose purpose is to benefit one or more particular member of the fund or all the members in general'.

There are many different ways that members can contribute to their fund and SMSF trustees should be aware that there are rules around who, how and when contributions can be made into an SMSF.

Who can contribute to super?

Under age 65
There are no age-specific restrictions on eligibility to contribute to superannuation for members under 65.

Aged 65–74 inclusive
To be eligible to contribute to superannuation, the member must have worked at least 40 hours in a consecutive 30 day period prior to the contribution being made. This is known as "the work test".

The fund can also accept contributions that are employer contributions paid under an agreement or award.

Aged 75 and over
Individuals aged 75 or over cannot personally contribute to superannuation even if they are still working. The only contributions that can be accepted are mandated contributions (such as superannuation guarantee amounts from an employer).

	Employer mandated	Employer Non-mandated	Member	Spouse or Other
Work test is required where member is over 65 years of age	N/A	Yes	Yes	Yes
Age limit	None	75	75	70

How to contribute to super

There are a number of ways contributions can be derived. The most common and obvious way is through the deposit of cash into the super fund's bank account.

Another, if the trust deed allows, is an in- specie transfer of certain allowable assets can be treated as a contribution.

In-specie transfers are restricted to the transfer of listed equities or business real property and must be completed on a commercial basis using current market value. The contribution is recognised within the super fund in lieu of any cash being paid for the asset.

Types of contributions

Contributions are classified as either concessional or non- concessional contributions. The classification of the contribution will determine the tax treatment within the fund and will be classified as either a taxable or tax free component within the members balance.

Concessional Contributions

In simple terms these are contributions that are made to a fund before tax has been paid and they are therefore taxed on entry to the fund at a rate of 15%. If a member has concessional contributions and personal income in excess of $250,000 for the financial year, the contributions will instead be taxed at an even higher rate of 30%. Concessional contributions form part of the member's taxable component within their balance and include Employer Contributions (both Super Guarantee and Salary Sacrifice) or any personal contributions made by the member themselves where a tax deduction is claimed in a members taxation return.

With the recent changes to the super rules, the 10% maximum earnings condition for personal superannuation contributions was removed. This rule provided that an individual must have earned less than 10% of their income from their employment related activities to be able to deduct a personal contribution.

This change ensures that individuals receiving employment income are not dependant on whether their employers offer salary sacrifice arrangements. Self-employed individuals and individuals in receipt of passive income can now make deductible personal contributions regardless of the amount of salary or wages they earn.

This means most individuals under 75 years old can now claim a tax deduction for personal contributions to their SMSF (including those aged 65 to 74 who meet the work test).

To be eligible for the deduction, you need to provide a valid notice of intention to deduct and have received acknowledgement of this notice from the fund.

From 1 July 2018 if a member has a total superannuation balance across all superannuation funds of less than $500,000 (as at 30 June of the previous financial year) they are eligible to carry forward any unused amount of the annual concessional contribution cap for up to five years. After being carried forward for five years they will need to contribute to the maximum figure allowed - or the contributing opportunity will expire.

The maximum contribution that can be made per annum for the 2018/19 financial year is $25,000. If a member's contributions exceed this amount in a given financial year the excess contribution will be included in their assessable income and taxed at their marginal tax rate. Members will have the option to withdraw up to 85% of the excess contributions. Any amount not withdrawn will also count towards their non-concessional contribution cap.

Non-Concessional Contributions

These are also known as non-taxable contributions as they are not taxed upon entry into the super fund and form part of the tax free component of the member's balance. Non-concessional contributions are made using after tax funds of a personal nature. A tax deduction is not claimed for these types of contributions.

The non-concessional contribution cap is set at $100,000 per annum for eligible members across all super funds. For a member to be eligible they must be below the age of 65 or meet the work test if they are between the age of 65 and 74 inclusive.

Eligible members who are under the age of 65 at any time during the financial year may also contribute up to $300,000 in a financial year. However doing this will mean that no non-concessional contributions can be made for the next two financial years.

From 1 July 2017 a member's Total Super Balance across all superannuation funds needs to be less than $1.6 million to be able to make a non-concessional contribution.

The following table illustrates the non-concessional contribution cap and ability to make use of the bring forward provisions under the new super rules in regards to your total superannuation balance.

Superannuation Balance as at 30 June	Non-concessional Contribution cap available	Bring forward non-concessional Contribution cap available
Less than $1.4 million	$100,000	3 Years i.e. $300,000
$1.4 - <$1.5 million	$100,000	2 Years i.e. $200,000
$1.5 - <$1.6 million	$100,000	Nil
$1.6 million & over	Nil	Nil

If a member contributes when they are ineligible to do so a deemed excess non-concessional contribution will result, unless the fund is obliged to refund the contribution. Generally excess contributions are taxed at the top marginal tax rate. If a member chooses to withdraw the excess contributions along with 85% of the associated earnings (assessed by the ATO) then no additional tax will apply. If a member does not choose to withdraw the excess then the associated earnings will form part of the member's personal taxation return and be taxed at the member's marginal tax rate. A tax offset of 15%, being the amount of taxed paid by the super fund on the associated earnings, will apply.

Other Types of contributions

Spouse Contributions

A member can make after-tax contributions on behalf of their spouse provided they are eligible to make a contribution. For a spousal contribution they must be under the age of 65, or if they are between the age of 65 and 69 the spouse must have met the work test of at least 40 hours in a consecutive 30 day period prior to the contribution being made. A spousal contribution cannot be made for someone who is 70 or over.

A member may be eligible for a tax offset of $540 for the contribution on behalf of their spouse, if the receiving spouse's income is $37,000 or less. If the receiving spouse's income is greater than $37,000 but less than $40,000 the contributing member will still be eligible for a partial tax offset. Once the receiving spouse's income exceeds $40,000 the contributing member will no longer be eligible for a tax offset, but can still make contributions on their spouse's behalf.

Government Contributions

The super co-contribution is an Australian government incentive aimed at boosting superannuation savings for members that earn less than a prescribed amount ($52,697 for the 2018/19 financial year). A co-contribution of up to $500 is received if you make a $1,000 non-concessional contribution into super.

To be eligible for the maximum co-contribution your total assessable income plus any reportable fringe benefits and reportable superannuation contributions needs to be below $37,697 (for the 2018/19 financial year). The amount of the co-contribution reduces as your assessable income increases up to the maximum amount.

Your eligibility to receive the co-contribution will be assessed automatically by the ATO using the information extracted from your personal taxation return and the information supplied by super fund/s. If a co-contribution is assessed then the amount will automatically be transferred into the super fund bank account in the following financial year.

If you exceed your non-concessional contributions cap in a financial year, or your Total Superannuation Balance is equal to or greater than $1.6 million as at end of previous financial year, then you will not be eligible for the government co-contribution.

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Small Business CGT Exemptions

Each member has a lifetime CGT cap amount ($1,480,000 for 2018/19) which is available to make a personal contribution into superannuation from the sale of certain small business assets and have the contribution excluded from the normal contribution caps. This enables members to have their balance boosted without exceeding those other superannuation caps.

The CGT cap can be used for amounts that are eligible under either the 15 year exemption or the retirement exemption. The retirement exemption is limited to a lifetime limit of $500,000.

A Capital gains tax cap election form must be completed by no later than the time the contribution is made to ensure the contribution is not counted against other caps.

Members are only eligible to make a contribution under the CGT exemptions if they meet the basic small business CGT concessions i.e. the $6 million net asset threshold, or aggregated turnover of the business is less than $2 million each year and the assets sold was an active asset of the business. The basic conditions and the other eligibility rules for the small business CGT concessions are complex.

You must check you are eligible before making this election and signing the declaration.

Downsizing Contribution

From 1 July 2018 individuals will be eligible to make a downsizer contribution to super if they can answer yes to all of the following eligibility criteria:

- Are 65 years old or older at the time you make a downsizer contribution (there is no maximum age limit)
- The amount being contributed is from the proceeds of selling their home where the contract of sale exchanged on or after 1 July 2018
- The home was owned by the member or their spouse for 10 years or more prior to the sale – the ownership period is generally calculated from the date of settlement of purchase to the date of settlement of sale
- The home is in Australia and is not a caravan, houseboat or other mobile home
- The proceeds (capital gain or loss) from the sale of the home are either exempt or partially exempt from capital gains tax (CGT) under the main residence exemption, or would be entitled to such an exemption if the home was a CGT rather than a pre-CGT (acquired before 20 September 1985) asset
- The member has provided their super fund with the Downsizer Contribution Into Super Form either before or at the time of making the downsizer contribution
- The member makes the downsizer contribution within 90 days of receiving the proceeds of sale, which is usually at the date of settlement
- The member has not previously made a downsizer contribution to super from the sale of another home.

Note: If the home that was sold was only owned by one spouse, the spouse that did not have an ownership interest may also make a downsizer contribution, or have one made on their behalf, provided they meet all of the other requirements.

The downsizer contribution is not a non-concessional contribution and will not count towards the contributions caps. The downsizer contribution can still be made even if members have a total super balance greater than $1.6 million.

The downsizing contributions can only be made for the sale of one home. It can't be accessed again for the sale of a second home. Downsizer contributions are not tax deductible and will be taken into account for determining eligibility for the age pension.

First Home Super Saver Scheme

First home buyers can now also make use of some of their contributions, made from 1 July 2017, for a deposit on their first house.

The maximum amount that can be contributed to super for a home deposit, using the FHSSS, is $30,000 and any super contributions made must be within the annual contributions caps i.e. $25,000 for concessional contributions or $100,000 for non-concessional contributions.

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The maximum amount can be contributed annually to super account under the FHSSS is $15,000, and all contributions counted towards the scheme must be voluntary contributions i.e. salary sacrifice, personal concessional or non-concessional. Superannuation Guarantee (SG) amounts paid by an employer cannot be directed towards FHSSS savings.

Withdrawals may be made after 1 July 2018 of these contributions (and deemed earnings) for a house deposit, and will be taxed at the member's marginal tax rate, less a 30% offset. Any non-concessional contributions made would not be taxed on withdrawal.

Eligibility for the FHSSS requires that members have not previously owned a home or, they have previously owned a home, and the Commissioner of Taxation determines that they have suffered financial hardship and should be eligible for the FHSS.

We recommend before making any contribution into superannuation that is not a mandated employer contribution, that you seek appropriate financial advice to ensure that you can optimise the contribution options available to you under the new superannuation rules. The information above should be considered general in nature and does not take into account your personal circumstances.

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