

PRACTITIONER ARTICLES

[783] Accelerated superannuation contributions

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If it is often said, there is nothing certain in life but death and taxes... and adjustments to the limits for superannuation contributions. In recent times, particularly given the ongoing adjustments to the limits for concessional superannuation contributions, the way in which to maximise contributions has been an area of focus.

Overview

As is well understood, concessional contributions to superannuation can generally be made by:

- an employer of a member;
- a member; and
- the spouse of the member.

The rules in relation to the quantum of permissible concessional contributions (historically referred to as deductible contributions) have been subject to regular change. The changes have primarily focused on the dollar limit for contributions made in each financial year.

Concessional contributions which currently count towards the annual concessional limit include:

- all employer contributions (eg super guarantee, salary sacrifice);
- member contributions which are claimed as a tax deduction; and
- in some situations, allocations from any fund reserves.

Concessional contribution limits

The maximum amount of concessional contributions that may be paid for the 2014-15 year of income without being sub-

ject to excess contributions tax were confirmed at 2014 WTB 9 [286] as follows:

- \$30,000 per annum per person aged under 49 years on 30 June 2014;
- \$35,000 per annum per person aged 49 years and over on 30 June 2014.

These limits have been increased, by way of "stepped" indexation, for the first time since the current contribution limit regime was introduced and are unlikely to be indexed again for at least 3 years.

Non-concessional contribution limits

Subject to potential variations by adopting one of the accelerated contribution approaches explained below, the maximum non concessional limits for the 2014-15 year of income (without being subject to excess contributions tax), have also been increased for indexation and are now as follows:

- \$180,000 per annum per person (for contributions on or after 1 July 2014); and
- \$540,000 per person averaged over three years (if a 3 year contribution was started before 1 July 2014, then the limit remains \$450,000).

Accelerated contributions

Historically, when the per annum limit was capped at \$150,000 (and the 3-year average at \$450,000), the main strategies available in relation accelerating contributions have been best exemplified by the following table:

Member age	61	62	63	64	65	Total
Financial year	2013-14	2014-15	2015-16	2016-17	2017-18	Contributions
Scenario 1	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000 ¹	\$750,000
Scenario 2	\$150,000	\$150,000	\$450,000	nil	nil	\$750,000
Scenario 3	\$150,000	\$150,000	\$150,000	\$450,000	nil	\$900,000
Scenario 4	\$450,000	nil	nil	\$450,000	nil	\$900,000
Scenario 5	\$150,000	\$450,000	nil	nil	\$450,000 ²	\$1,050,000
Scenario 6	\$150,000	\$150,000	\$150,000	\$150,000	\$450,000 ¹	\$1,050,000

In relation to the above table (and the further table below), it is important to note the following assumptions:

1. contributions are made prior to member's 65th birthday; or
2. contributions are made after reaching age 65 and the member continues to satisfy the required gainful employment test.

With the changed superannuation thresholds commencing on 1 July 2014 (again as

noted at 2014 WTB 9 [286]), it will be important to reference an updated version of the table, as set out below.

Critically, the updated table assumes that the first contribution is made *after* 1 July 2014.

As set out in the earlier article, if a combined contribution is commenced before 1 July 2014, the previous table continues to apply until the accelerated approach is completed.

Member age	61	62	63	64	65	Total
Financial year	2014-15	2015-16	2016-17	2017-18	2018-19	Contributions
Scenario 1	\$180,000	\$180,000	\$180,000	\$180,000	\$180,000 ¹	\$900,000
Scenario 2	\$180,000	\$180,000	\$540,000	nil	nil	\$900,000
Scenario 3	\$180,000	\$180,000	\$180,000	\$540,000	nil	\$1,080,000
Scenario 4	\$540,000	nil	nil	\$540,000	nil	\$1,080,000
Scenario 5	\$180,000	\$540,000	nil	nil	\$540,000 ²	\$1,260,000
Scenario 6	\$180,000	\$180,000	\$180,000	\$180,000	\$540,000 ¹	\$1,260,000

As a comparison of the 2 tables clearly illustrates, in many client situations there will be a significant differential in delaying

non concessional contributions until 1 July 2014 to take advantage of the increased thresholds.