GETTING MONEY INTO SUPER

WEALTHADVISER an initiative of wealthtoday

Before you get started

This eBook contains general and factual information only.

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Before acting on any information contained herein you should consider if it is suitable for you. You should also consider consulting a suitably qualified financial, tax and/or legal adviser.

Information in this eBook is no substitute for professional financial advice.

We encourage you to seek professional financial advice before making any investment or financial decisions. We would obviously love the opportunity to have that conversation with you, and at the rear of this eBook you will find information about our authorised representative and how to go about booking an appointment.

If ultimately you decide not to meet with us we still encourage you to consult with another suitably licensed and qualified financial adviser.

In any circumstance, before investing in any financial product you should obtain and read a Product Disclosure Statement and consider whether it is appropriate for your objectives, situation and needs.

Letter from Wealth Today

Dear **Reader**

WELCOME TO WEALTH TODAY

Wealth Today was built specifically to facilitate the integration of financial planning into existing appropriate businesses and to provide sound individual financial advice to everyday Australians.

Our mission is to build an accessible, comprehensively supported team of Members who share our vision and commitment to providing tailored financial advice and building a new foundation of financial understanding and security for everyone.

With a national network of likeminded experts, we have the potential to provide the financial building blocks for future generations.

KNOWLEDGE GIVES YOU A HUGE ADVANTAGE

We believe that knowledge gives you a huge advantage in creating and effectively managing wealth; in planning to reach your goals; and in being prepared for whatever unexpected twists and turns life may present.

That's why our team of experts has created this series of eBooks that seek to inform you of not only the benefits but also the potential risks and pitfalls of various strategies and investments.

We trust you enjoy this eBook and find it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

TAKE THE NEXT STEP

We invite you to meet with one of our authorised representative to discuss what it was you were hoping to achieve when you downloaded this eBook and to establish if they can help you achieve your goals and objectives.

At the rear of this book you will find the details on how to book an appointment with one of our experts.

We look forward to meeting you soon.

Wealth Today

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Eligibility to contribute to super

The following table summarises the current rules for when a person is allowed to contribute or receive contributions to a super fund for the 2019/20 financial year.

Age at time of contribution	Personal contribution - made by the member	Other contributions - made by someone other than member or employer	Voluntary employer contribution	Mandated employer contribution
	E.g. personal non-concessional, personal concessional contributions	E.g. spouse contribution, government co-contribution#	E.g. salary sacrifice, other employer contributions in excess of Super Guarantee Concessional contributions	E.g. Super Guarantee, or contribution under industrial award Concessional contributions
Under 65	Yes	Yes	Yes	Yes
65 to 69	Yes - Work test required	Yes - Work test required	Yes - Work test required	Yes
70 to 74	Yes - Work test required	No	Yes - Work test required	Yes
75 and over*	No	No	No	Yes

a person is eligible for the government co-contribution up until the age of 70 (age as at the end of the financial year).

*Turning age 75 - Once you reach age 75, you cannot make non concessional or voluntary concessional (such as non-mandated employer contributions and self-employed contributions), regardless of whether you satisfy the work test. However, if you are turning 75 during the financial year you can make such a contribution to the fund on or before the day that is 28 days after the end of the month in which you turn 75 (but the work test must be met).

A trustee must not accept a member contribution unless the member has quoted their TFN to the trustee, or unless the member quotes their TFN to the trustee within 30 days of the contribution being made.

The Work Test

The work test requires that an individual be gainfully employed for at least 40 hours in a period of not more than 30 consecutive days in the income year of the contribution. For example, working 10 hours per week in one month or 10 hour shifts on four separate days in one month would be sufficient.

The definition of 'gainfully employed' under the super rules means to be employed or self-employed for gain or reward in any business, trade, profession, vocation, calling, occupation or employment.

The concept of gain or reward envisages receipt of remuneration for personal services, such as salary or wages, business income, bonuses, commissions, fees or gratuities. It does not include the passive receipt of income such as rent, trust distributions or dividends. Therefore, if a member only receives passive income or undertakes volunteer work, they would not meet the gainful employment test. Unpaid work also does not meet the definition of gainful employment.

If you contribute to a super fund without first meeting the work test, the amount must be returned to you by the fund within 30 days. Any ineligible amounts which are not returned within this time will mean the SMSF has breached the super contribution rules resulting in compliance issues that will be reported to the ATO in your SMSF Annual Audit.

No TFN contributions

Member contributions

A trustee must not accept a member contribution unless the member has quoted their tax file number (TFN) to the trustee.

If the fund does not have a member's TFN on record, a member has 30 days from the date of the member contribution to supply the fund trustee with a TFN; otherwise the fund trustee must refund the contribution.

Mandatory employer contributions

Mandated employer contributions are not required to be returned to the employer where the member's TFN has not been quoted; however, this will trigger no-TFN contributions tax.

The additional tax on these employer contributions is 34% for complying SMSFs and 2% for non-complying SMSFs.

Where a TFN is subsequently provided within a four-year period (including the income year the contribution was made), the super fund is entitled to claim a tax offset for the amount of tax paid, which must be returned to the member.

Fund capped contributions

To help prevent a member from accidentally contributing more than the non-concessional contributions cap, super funds are required to return single fund-capped contributions that exceed the non-concessional contribution caps for the year. For 2019-20 this is:

- $100,000 if the member is age 65 or over but less than 75 on 1 July of the financial year, or
- $300,000 if the member is less than age 65 on 1 July of the financial year. (Refer to the section titled Non-concessional contributions for information regarding the bring forward rule)

This should exclude certain contributions, for instance where the member has provided notification of the intention to claim a tax deduction, or funds receive as a result of personal injury or small business CGT exemption.

The fund is required to return the excess fund-capped contribution within 30 days of becoming aware of the excess contribution. The refunded amount may be adjusted for any fees and market movements by the trustee.

TIP

The fund-capped regulation applies per contribution, not to the total member contributions made to the fund.

Superannuation Reform

On 29 November 2016, The Treasury Laws Amendment (Fair and Sustainable Superannuation) Bill 2016 received royal assent and is now law. This incorporated a number of changes to the taxation and regulation of superannuation to make the system fairer and more sustainable, and to provide more flexibility and choice.

Difference between a contribution and a rollover to super

A rollover is the transfer of an existing benefit within super from one super fund to another. Eligibility to contribute to super is not a consideration for a rollover as the money is already within the super environment.

Non-concessional contributions

Personal contributions made into a super fund from after tax income or your bank account, on which no tax deduction is claimed are known as non-concessional contributions.

Other amounts are classed as non-concessional contributions, including the following:

- spouse contributions
- concessional contributions that exceed your concessional contribution cap (limit), and where you choose not to release this excess from your super fund
- a specific portion of a foreign pension transfer
- capital gains tax (CGT) contributions above the CGT cap threshold.

No tax is payable on a non-concessional contribution either at the time of contribution or when this amount is later withdrawn, for example, upon retirement.

Non-concessional contribution threshold and tax rates

Non-concessional contribution eligibility to contribute and associated thresholds are listed below:

Age as at 1 July 2019	Annual cap
Under 65	$100,000, or $300,000 over a three-year period, under bring forward rule
65 – 74 (work test applies)	$100,000 (unless a prior bring forward rule applies)
Turning 75 during the income year	$100,000 You can make a non-concessional contribution on or before the day that is 28 days after the end of the month in which you turn 75.

Non-concessional contributions - 2018/19 and 2019/20 income years

	Non-concessional (after tax)
Types of contributions included	Personal voluntary contributions Spouse contributions
Contribution threshold	$100,000 (unless a prior bring forward rule applies)
Tax on contributions up to the threshold	Nil
Tax on excess amounts breaching the cap	47%*

*Includes Medicare Levy

Superannuation Reform

29 November 2016, The Treasury Laws Amendment (Fair and Sustainable Superannuation) Bill 2016 received royal assent and is now law.

From 1 July 2017, the Government will lower the annual non–concessional contributions cap to $100,000 and will introduce a new constraint such that individuals with a balance of $1.6 million or more will no longer be eligible to make non–concessional contributions. As is currently the case, individuals under age 65 will be eligible to bring forward up to 3 years of non–concessional contributions.

TIP

Your super fund must have your TFN on record to make a non-concessional contribution; otherwise this contribution must be returned.

Excess non-concessional contributions

Excess non-concessional contributions are taxed at 47%; this amount being withdrawn from the member's super balance.

From 1 July 2013 where an individual has made contributions that exceed their non-concessional cap, they can generally elect to withdraw this excess (plus 85% associated earnings) rather than paying excess non-concessional contributions tax. The associated earnings are included in the individual's tax return and taxed at their marginal tax rate. The individual is entitled to a non-refundable tax offset equal to 15% of the associated earnings.

Bring-forward provisions

Bring-forward provision – under age 65

As long as you are under age 65 at any time during a financial year, you are permitted to bring forward two years' worth of non-concessional contributions. This enables you to contribute any amount up to $300,000 in total over three years without exceeding the non-concessional contribution limits.

The bring-forward rule is automatically triggered in the first financial year in which a non-concessional contribution exceeds the $100,000 limit, noting that you cannot exceed $300,000 in that year and the next two years. The bring-forward rule resets at the expiration of the three-year period, allowing you to continue making non-concessional contributions to super thereafter.

Bring-forward provision does not apply – turning age 65

The bring-forward provisions are not available to individuals above age 65. However, where you were 64 on 1 July in a particular financial year and turn age 65 during that financial year, you can implement the bring-forward provisions if a non-concessional contribution above $100,000 is made in that year.

Superannuation Reform

On 29 November 2016, The Treasury Laws Amendment (Fair and Sustainable Superannuation) Bill 2016 received royal assent and is now law.

From 1 July 2017, individuals may be able to access a bring forward period for their non-concessional contributions cap of two or three times the annual cap, depending on their total superannuation balance.

In the 2017-18 financial year, the amount of the cap an individual may bring forward is three times the annual cap if their total superannuation balance is less than $1.4 million, two times the annual cap over two years if their superannuation balance is above $1.4 million but less than $1.5 million, and limited to the cap if their superannuation balance is $1.5 million but less than $1.6 million.

Transitional arrangements apply to individuals who brought forward their non-concessional contributions cap in the 2015/16 or 2016/17 financial years.

An individual's total superannuation balance is determined on 30 June of the previous financial year.

Concessional contributions

Concessional contributions are contributions where a tax deduction has been claimed, either by an individual or by an employer.

Concessional contributions are commonly referred to as before tax contributions. Tax is payable by the fund on concessional contributions made to a super fund at the rate of 15%. This is commonly referred to as contributions tax.

Types of Concessional contributions

Concessional contributions include the following:

- employer contributions
- salary sacrifice contributions
- personal contributions for which a tax deduction is claimed.

Employer contributions

Employer contributions include the mandatory super guarantee (SG) and award contributions and voluntary (non-mandatory) employer contributions made in addition to SG and award contributions.

Salary sacrifice contributions

Salary sacrifice contributions are made by your employer based on a mutual agreement with you in the form of an effective salary sacrifice arrangement. Salary sacrifice contributions are super contributions made by your employer to your chosen super fund, in lieu of making an equivalent salary payment to you. Salary sacrifice contributions may be counted toward the employer's mandatory SG contributions. Alternatively, your employer may agree to make the salary sacrifice contributions in addition to the mandatory SG contributions.

Personal contributions where a tax deduction is claimed

These voluntary personal contributions are made by you to a complying super fund, for which you claim a tax deduction on your personal income tax return.

ATO Tax Deduction Notice

If you intend to claim a tax deduction for a personal concessional contribution on your personal income tax return, you will need to complete the relevant form from the ATO - Notice of intent to claim or vary a deduction for personal super contributions and submit to your super fund.

Concessional contribution threshold and tax rates

The limit on concessional contributions is in addition to the non-concessional contributions limit that also applies each year.

Concessional contributions – 2019/20 income years

	Concessional (before tax)
Types of contributions included	Employer contributions Salary sacrifice Deductible personal after-tax contributions by a self-employed person
Contribution threshold*	$25,000
Tax on contributions up to the threshold	15% Plus For individuals earning over $250,000: Division 293 tax, if you choose to pay from super
Tax on excess amounts breaching the cap	Your marginal tax rate less a 15% tax offset

*The concessional threshold is indexed to average weekly ordinary time earnings (AWOTE) and rounded down to the nearest $5,000 increment.

WARNING

Concessional contributions which exceed the concessional threshold also count towards the non-concessional threshold unless withdrawn.

Excess concessional contributions

Excess concessional contributions made from 1 July 2013 are effectively taxed at the individual's marginal tax rate, plus an interest charge calculated by the Tax Office (as would happen for income tax paid late to the ATO). If you're already on the top marginal tax rate, you only need to pay the interest charge.

Individuals are able to withdraw up to 85% of their excess concessional contributions, in which case they will no longer count toward the non-concessional contributions cap.

Superannuation Reform

On 29 November 2016, The Treasury Laws Amendment (Fair and Sustainable Superannuation) Bill 2016 received royal assent and is now law.

From 1 July 2018, individuals with a total superannuation balance of less than $500,000 just before the start of a financial year can increase their concessional contributions cap in the financial year by applying previously unapplied unused concessional contributions cap amounts from one or more of the previous five financial years.

An individual can carry forward unused concessional contributions cap amounts accrued from the 2018-19 year onwards.

Division 293 tax - additional tax for high-income earners

An additional tax of 15% is imposed on concessional contributions for those individuals earning more than $250,000 in the financial year. This additional tax is commonly referred to as Division 293 tax.

If you need to pay the Division 293 tax, the Tax Office will issue you with a notice of assessment stating the amount of tax payable for the financial year and provide you with a release authority to enable the amount to be paid from your super account.

Former temporary residents who receive a Departing Australia Superannuation Payment may apply to the Commissioner for a refund of any Division 293 tax paid.

In-specie contributions

A super fund could receive contributions in the form of cash or other permissible assets. When a contribution is received in a form other than cash it is referred to as an in-specie contribution. Not many public or industry super funds permit in-specie contributions. This is a specific advantage associated with SMSFs.

Generally, in-specie contributions can be made by a person who is not a related party of the fund provided that the requirements of the super laws are met, and subject to the fund's trust deed. A related party of an SMSF includes:

- members
- a standard employer-sponsor
- an associate of a fund member or of a standard employer-sponsor of the fund.

Exceptions to this rule enable a related party of the fund to contribute the following assets at market value:

- listed securities, such as on the Australian Securities Exchange (ASX)
- widely held managed funds
- business or commercial property
- in-house assets, provided the market value of the fund's in-house assets does not exceed 5% of the total market value of the fund's assets
- cash based investments such as bonds and debentures.

WARNING

Residential property owned by a member or related party cannot be transferred into an SMSF as an in specie (non-cash) contribution, unless an exception applies relating to business real property. Note, however an SMSF can sell a residential property to a fund member, subject to certain conditions.

Considerations for in specie transfers

Whilst there can be significant tax savings by transferring assets from your personal name to your SMSF, there are several issues to consider such as:

- in-specie transfers of assets must be transferred at market value.
- transferring assets to the super environment "locks" the asset into the super system due to funds being preserved, and so it is likely you will be unable to access it until you meet a condition of release.
- contribution thresholds should be observed, in particular the excess tax payable for breaches
- stamp duty may be payable on managed funds and commercial property (no stamp duty on share transfers applies)
- possible capital gains tax considerations as there is a change in beneficial ownership:
  - taxable capital gains will be included in your personal taxable income, which in turn could be offset by tax deductions claimed on the contribution
  - capital losses can only be offset against capital gains made in your own name now or in the future.

Co-Contributions

The super co-contribution is an Australian government initiative to assist eligible low to middle income individuals (employed, self-employed or not working) save for their retirement.

The Government will match an individuals' personal non-concessional contribution to super with a government co-contribution, up to certain limits, if your income is within prescribed thresholds for each financial year.

Eligibility

To be eligible for a government co-contribution, the following criteria must be satisfied:

- you make a personal contribution by 30 June of that income year to your super fund
- an income tax return for the income year is lodged for the year the contribution is made
- no tax deduction is claimed in your income personal tax return for the non-concessional contribution
- your total income (includes assessable income, reportable super contributions and reportable fringe benefits) must be below the income threshold ($51,021 in 2016/17)
- 10% or more of your total income must be from running a business, eligible employment or a combination
- you are less than age 71 at the end of the income year in which you made the contribution
- you do not hold an eligible temporary resident visa at any time during the income year, unless you are a New Zealand resident or a holder of a prescribed visa.

How much is the government co-contribution?

Based on current thresholds, the maximum government co-contribution is $500. This is calculated as $0.50 for every $1 of personal contribution made, in the financial year up to $1,000. This is subject to an income test.

Year of entitlement	Maximum entitlement	Matching rate	Lower income threshold	Higher income threshold
2016/17	$500 (for a $1,000 contribution)	50%	$36,021	$51,021
2017/18	$500 (for a $1,000 contribution)	50%	$36,813	$51,813
2018/19	$500 (for a $1,000 contribution)	50%	$37,697	$52,697
2019/20	$500 (for a $1,000 contribution)	50%	$38,564	$53,564

The maximum co-contribution of $500 is reduced by 3.333 cents for every $1 that the taxpayer's total income exceeds $38,564 in 2019/20, until it reaches or exceeds $53,564.

Treatment of government co contributions

The Government co-contribution does not count toward either the concessional or the non-concessional thresholds.

Superannuation Reform

On 29 November 2016, The Treasury Laws Amendment (Fair and Sustainable Superannuation) Bill 2016 received royal assent and is now law.

In addition to the existing government co-contribution eligibility requirements, from 1 July 2017 an individual will only be eligible to receive a co-contribution payment if:

- *the individual's non-concessional contributions for the corresponding financial year do not exceed the non-concessional contributions cap for the financial year, and*
- *immediately before the start of that financial year, the individual's total superannuation balance is less than the general transfer balance cap for that financial year.*

Spouse contributions offset

A spouse contribution involves making a contribution to a spouse's super fund to build their retirement savings.

Eligibility

You can make super contributions on behalf of your spouse and claim a tax offset, (commonly referred to as a 'rebate') if:

- the recipient spouse's assessable income plus reportable fringe benefits plus reportable employer super contributions for the income year is less than $40,000
- the couple live together in a bona fide domestic relationship (includes a de facto spouse but excludes married couples who have separated and live apart on a permanent basis)
- the individual making the contribution does not claim the contribution as a tax deduction in their personal tax return
- both the contributing and recipient spouse are Australian residents for tax purposes when the contribution is made
- the recipient spouse is:
  - under age 65 (employment status is not relevant)
  - aged between 65 and 70 and satisfies the work test.

TIP

There is no age limit or employment test for the person making the contributions. If the recipient spouse is aged 70 or over, contributions can't be accepted.

How much is the spouse contribution offset?

An 18% income tax offset for contributions up to $3,000 per income year is available, with the maximum tax offset being $540.

The full offset is available where the assessable income and reportable fringe benefits of the receiving spouse is below $37,800 for the income year.

The offset phases out as the recipient spouse's assessable income and reportable fringe benefits increases to $40,000 for the income year, above which no offset will be available.

Treatment of spouse contributions

Spouse contributions are fully preserved and form part of the tax-free component. They are treated as non-concessional contributions and are not included in the fund's assessable income.

Spouse contributions splitting

Contribution splitting refers to the splitting of concessional contributions between you and your spouse, either in the same super fund, or to another fund. Typically, this is done to increase your spouse's super balance.

Concessional contributions include employer, salary sacrifice and personal contributions for which a tax deduction is claimed.

Contributions can be split with your spouse after the end of the income year and at any time up to the end of the following income year. For example, any employer contributions that were made in the 2015/16 income year may be split by the receiving member with their spouse at any time up to 30 June 2017.

For a member to split the contribution with their spouse, an application must be made to the member's fund, indicating the amount to be directed to their spouse's superannuation. This ATO form should be sent to, received, and acknowledged by the member's superannuation fund before the end of the financial year.

Eligibility

The key requirements for eligible contributions splitting are:

- up to 85% of concessional contributions can be split with your spouse
- there is no age requirement for the originating spouse
- the receiving spouse must be either:
  - less than their preservation age or
  - between their preservation age and age 64 and not retired (meet the work test)
- if the recipient spouse is 65 or older, you can't split your super contributions with them
- the trust deed of the super fund allows the splitting of contributions.

Treatment of contributions-splitting super benefit

A contributions splitting super benefit only counts towards the originating spouse's concessional cap. It does not count towards any cap when it is split across to the receiving spouse.

The amount is fully preserved in the receiving spouse's account.

SuperStream and employer contributions

SuperStream is a package of reforms under Stronger Super that are designed to enhance the 'back office' of super, making everyday transaction processing faster and easier.

Under the SuperStream reforms SMSF trustees are required to receive employer contributions and related messages electronically, including:

- data and e-commerce standards for super transactions
- allowing the use of tax file numbers as the primary locator of member accounts
- facilitating account consolidation and improving the treatment of contributions made without sufficient member details.

All employers, public offer funds and SMSFs need to comply with SuperStream requirements when sending or receiving super contributions.

However, if the employer is a related party of an SMSF then the employer is not required to make contributions to that SMSF in a SuperStream compliant format.

All super funds, including SMSFs, must receive contributions in the new data and e-commerce standard.

You will need to provide the following information to your employer in order to meet the SuperStream requirements:

- SMSF Australian Business Number (ABN)
- SMSF bank account
- Electronic Service Address (see below)

Electronic Service Address

To be able to receive the contribution messages from a member’s employer, a trustee will need to register with an SMSF messaging provider to get an electronic service address for the fund.

An electronic service address is an alias used by your SMSF for communication and receipt of contributions. An e-mail address is not an active electronic service address.

SMSF trustees should check with their administration service provider to ascertain if they have entered into arrangements with messaging providers, as they may be able to register the fund on the trustee’s behalf. Alternatively, trustees will need to register with a messaging provider themselves. The ATO publishes a list of SMSF messaging providers to assist with this.

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We look forward to meeting you soon.

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Appointment Booking Request form

About the Adviser

Our services

Contact details

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Please complete the Appointment Booking Request below and scan and email to:

Appointments are available Monday-to-Friday from 8am and until the normal final starting time of 6pm. After-hours appointments are available by request most weekday evenings and on most Saturdays if preferred. Please nominate your preferred day, date and time to meet with us. One of our client services representatives will call you to confirm your appointment.

Preferred appointment day and time

Day

Date

Time am/pm

Your email address

If you would like us to contact you via email to confirm your appointment or to answer any questions you have please provide a valid email address for our records.

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