# Change to concessional contributions cap

## Towards a sustainable superannuation system

*Your super is your future*

In the 2016–17 Budget, the government announced a number of changes designed to improve the sustainability, flexibility and integrity of Australia’s superannuation system. One of the changes was the lowering of the annual concessional contributions cap.

This is general information and examples. It may omit details that could be significant in your personal circumstances.

**This information is for people who:**

* **receive contributions from their employer into super**
* **salary sacrifice into super**
* **make personal contributions to their super and claim a tax deduction for the contributions.**

### **How has the concessional contributions cap changed?**

Concessional (pre-tax) contributions to your super include:

* employer contributions
* any amount you salary sacrifice\* into super
* Personal contributions you claim as a personal super contributions

From 1 July 2017, the 10% maximum earnings condition for personal contributions deductions no longer applies.

\*Not all employers offer salary sacrifice arrangements.

### **Concessional contributions cap**

As concessional contributions are paid before tax is applied, it means that your super fund pays tax on the contributions at 15%.

From 1 July 2017, the concessional contributions cap is **$25,000 for everyone**. Previously it was $35,000 for people 49 years and older at the end the previous financial year and $30,000 for everyone else. The new cap will be indexed in line with average weekly ordinary time earnings (AWOTE), rounded down to the nearest $2,500.

### **Carry-forward of unused concessional contributions**

From 1 July 2018 you will also be able to ‘carry-forward’ any unused amount of your unused concessional contributions cap. You will be able to access your unused concessional contributions cap space on a rolling basis for five years. Amounts carried forward that have not been used after five years will expire.

The first year in which you can access unused concessional contributions that you have carried forward is 2019–20.

You will only be able to ‘carry-forward’ your unused concessional contributions cap if your total superannuation balance at the end of 30 June of the previous financial year is less than $500,000. For more information on ‘total super balance’ refer to our Guidance Note titled “*Total Superannuation Balance*”.

The intent of this change is to improve the flexibility of the super system.

**What you can do before 30 June 2017**

|  |  |
| --- | --- |
| Situation | Action |
| If you want to make extra concessional contributions | * Check what concessional contributions have been made to allyour super funds from 1 July 2016 * Estimate the amount of employer contributions that will be made for you before 30 June 2017 and how much you are contributing through salary sacrifice. You can use the *Estimate my super* tool, available on our website. * Arrange for the additional concessional contributions, up to your age cap, to be paid to your super account before 30 June 2017. |

**What you can do from 1 July 2017**

|  |  |
| --- | --- |
| Situation | Action |
| If you want to make extra concessional contributions | Make sure that when you add up your concessional contributions, you do not exceed $25,000 in concessional contributions during the year. |

**What you can do from 1 July 2018**

|  |  |
| --- | --- |
| Situation | Action |
| If you have a total superannuation balance of less than $500,000 at the end of 30 June of the previous year | * You can start to 'carry-forward' your unused concessional contributions cap. * The first year in which you can access unused concessional contributions that you have carried forward is 2019–20. |

**Examples**

|  |  |
| --- | --- |
| Main points Example | |
| * 55 years old * Employer contributions are $15,000 per year * Salary sacrifices $15,000 per year | Bob’s employer makes employer contributions of $15,000 each year and Bob salary sacrifices $15,000 per year.  At 1 March 2017, Bob thinks he can contribute another $5,000 to his super, so he talks to his employer and arranges for an extra $1,000 per month to be salary sacrificed into his super. He wants to take advantage of the higher contribution cap available until 30 June 2017.  On 1 July 2017, Bob’s concessional cap will be $25,000 per year. Bob realises that the total of his current employer contributions and salary-sacrificed amounts will be more than $25,000, so he reduces his salary-sacrificed contributions to $10,000 per year. This ensures he does not exceed his concessional contribution cap. |
| * Employer contributions are $10,000 in  2018­–19 * Total superannuation balance on 30 June 2019 is less than $500,000 | In 2018–19, Kate makes $10,000 in concessional contributions. This leaves an unused amount of the concessional contribution cap of $15,000, which Kate can carry forward for up to five years to increase her concessional contribution cap.  In 2019–20, in addition to her normal $25,000 concessional cap, Kate can use the $15,000 of unused cap from the previous year. Kate’s total concessional cap for 2019–20 is $40,000. |

### **For more information**

* **ato.gov.au/superchanges**
* Law Companion Guidelines are also available on a range of topics at **ato.gov.au/law**