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Call for more flexibility on superannuation concessional caps limits

- **AIST recommends a \$150,000 concessional cap over three years for those aged 50 and over**

The Australian Institute of Superannuation Trustees (AIST) has recommended that the Government provide greater flexibility for those who make voluntary contributions into their superannuation.

In its response submission to Treasury on ‘concessional caps for individuals aged 50 and over’, AIST recommends that the so-called ‘bring forward’ rule that currently applies to ‘non-concessional’ caps should be similarly applied to concessional caps – effectively providing qualifying individuals with a \$150,000 three-year cap.

AIST CEO Fiona Reynolds said AIST supported the Government’s proposal to restrict the \$50,000 cap to those with balances below \$500,000, as it directed the super tax concessions to those who needed it most. However the Institute was concerned that many people could be harshly penalised for breaching the caps inadvertently.

Ms Reynolds said applying the bring forward rule to the \$50,000 annual cap limit would dramatically reduce the number of Australians being liable for excess contribution tax.

“This measure has the dual benefit of providing more flexibility around the caps whilst also protecting people who may inadvertently breach their cap in any one year and would otherwise face a harsh penalty tax,” said Ms Reynolds.

It has been estimated that more than 100,000 Australians have exceeded their superannuation concessional contributions cap since 2007.

Ms Reynolds said AIST would like to see the ‘bring forward’ rule also applied to the lower cap limit of \$25,000 for those aged under 50. “It brings simplicity and makes the rules consistent across concessional and non-concessional contributions,” she said.

Concessional caps, which are those paid by employers, are currently capped at \$25,000 for those aged under 50, \$50,000 for those aged 50 and over, while non-concessional contributions, those made by employees using after-tax dollars, have been capped at \$150,000 or capped at \$450,000 over three years under the ‘bring forward’ rule*.

Under AIST’s proposal, the annual cap of \$50,000 would still apply but it would be possible to bring forward up to two years’ worth of this contribution limit into the current year without incurring any tax penalties.

This would mean qualifying individuals could contribute to \$150,000 (including Superannuation Guarantee

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SG contributions) into their super out of pre-tax earnings into their super at any one time without incurring tax penalties.

AIST has also recommended that both the caps and the superannuation balance cap of \$500,000 be indexed to take into account increase in wages and the amount of superannuation required to achieve a certain standard of living at retirement.

*How the bring forward rule works for non-concessional caps

The bring forward non-concessional contributions rules generally allow people under 65 to contribute up to \$450,000 of non-concessional (ie after-tax) contributions into their super every three years. Although there is a maximum limit of \$150,000 that can be contributed from after-tax earnings each year, it is possible to bring forward two years' worth of this contribution limit into the current year without incurring tax. In other words, you can pay \$450,000 into your super at one time (but nothing more after for the next two years) without incurring tax.

AIST is the peak industry body for the \$450 billion not-for-profit super sector which includes industry, corporate and public sector funds covering the super interests of nearly 2/3rds of the Australian workforce.