Everything you need to know about super contributions in 2022/23

Superannuation comes with some great tax breaks and like anything with great tax concessions, there are rules to follow.

An area where superannuation certainly has a lot of rules and quirks is when it comes to actually getting money into the system in the first place – contributions.

In this guide, we run through some of the key contribution rules and some handy tips about how to make the most of them.

Contribution rules come in various forms but they are mainly about:

- who can make contributions to superannuation (or have contributions made on their behalf). These are mostly linked to your age, and
- how much can be put into super during a given financial year without losing some important tax benefits. The limits are known as "contribution caps".

A quick overview of contribution caps

The easiest way to explain how contributions work is by starting at the end and talking about caps. Contribution caps are simply limits on the amount of contributions which receive the best tax treatment. It's not illegal to make contributions that are bigger than your caps but most people try to avoid it – we'll cover the consequences of going over your cap a bit later.

Most super contributions fall into one of two categories for cap purposes:

1. **Concessional contributions** – these are generally contributions made by someone else on your behalf other than your spouse (for example your employer) or contributions you make with your own money and claim as a personal tax deduction. All types of employer contribution are included here – it doesn't matter whether the

contributions are compulsory (often called "mandated" employer contributions) or completely discretionary (for example, extra contributions you ask your employer to make in return for a lower cash salary – often called "salary sacrifice" contributions).

2. **Non-concessional contributions** – these are generally personal contributions made from your own money for which you don't claim a tax deduction. They also include contributions your spouse makes for you.

In 2022/23 the cap on concessional contributions is $27,500. The equivalent figure for non-concessional contributions is $110,000. There are extra rules that sometimes reduce these caps or allow you to use more than one year's worth of cap at a time. We'll come to those shortly.

The big differences between concessional and non-concessional contributions all revolve around tax – on the way into super and when they come back out again as part of a super benefit:

- Concessional contributions are generally tax deductible to the contributor when they are put into super. Non-concessional contributions are not.
- Concessional contributions get taxed at the usual super rate of 15% when they are received by the fund (or 30% for people who earn more than $250,000 pa). Non-concessional contributions are not taxed.
- When super is paid out to you or someone else, it is divided into two components – "taxable" and "tax free". Concessional contributions and all of the fund's investment earnings go into the taxable component but non-concessional contributions go into the tax free part. Often this doesn't matter. For example, if you draw out your super after you've turned 60, you don't pay tax regardless of the classification. But sometimes it does matter – if your super is paid to pretty much anyone other than your spouse or minor children when you die, they will pay tax on the taxable component.

Other contributions don't count for these caps

Then there are some types of contribution that aren't counted towards these normal caps.

Government co-contributions

These are contributions made by the Government to add even more to your super when you make your own non-concessional contributions. You are only eligible for Government co-contributions in 2022/23 if you earn at least 10% of your income from working (eg salary) or running a business, had less than $1.7 million in super at 30 June 2022 and meet a few other conditions.

The contribution made by the Government is 50c for every $1 you contribute yourself, up to a maximum amount. The maximum amount is based on your income. It's $500 each year if you earn less than around $42,000 pa but it's lower if you earn more. The Government co-contribution phases out entirely once you earn more than approximately $57,000 pa.

> *If you meet the conditions, Government co-contributions are a great way to get extra super for free. All you have to do is put at least $1,000 into super yourself and the Government will automatically add a further $500.*

Downsizer contributions

These are special contributions only available to people above a certain age (see below) who sell their home. There are a number of terms and conditions to meet (see our separate guide on this) but the cap on downsizer contributions is $300,000 per person (so a combined $600,000 for a couple). Downsizer contributions can only be made as a result of one home sale over your lifetime and the amount of the contribution is sometimes capped at a lower amount if the home is sold for less than $300,000 (for singles) or $600,000 (for couples).

CGT small business contributions

If you sell a business and meet certain conditions, there are some special rules that allow you to make an extra super contribution. These contributions are often called "CGT small business contributions" and have their own special cap. In 2022/23 this is $1,650,000 but it increases virtually every year so will be higher from 1 July 2023. How much of this cap you are able to use will depend on things like the size of your capital gains on selling your business and which particular capital gains tax exemption you're able to use.

Personal injury contributions

Certain people who receive a pay out because they are badly injured can contribute some or all of that payout to super. The cap is simply the amount of the payout they received. As with all the other special types of contribution there are strict rules to follow.

In every other sense, Government co-contributions, downsizer contributions, CGT small business contributions and personal injury contributions are just like non-concessional contributions. They are not tax deductible to you (or the Government) when you make them, they are not taxed when received by the fund and they form part of your "tax free" super.

Rules for making contributions (or having them made for you)

Not everyone is able to make contributions or have contributions made for them. There are different rules for the various different contribution types but one common theme is that age is important. So the table below sets out how the rules change as you get older.

Magic age	What's allowed in 2022/23?
Under 18	People under 18 can make their own non-concessional super contributions but they can only make their own concessional contributions if they are working. Normal employer concessional contributions are fine, as are Government co-contributions.
Over 18	The full range of concessional contributions (including personal contributions where a tax deduction is claimed) and non-concessional contributions is available. The only type not allowed is downsizer contributions.
60	Between 1 July 2022 and 31 December 2022, downsizer contributions are allowed from your 60th birthday onwards. From 1 January 2023, these contributions are allowed from 55 onwards.
67	All types of contributions are allowed, but you can only claim a tax deduction for personal contributions made after your 67th birthday if you meet a "work test"[1] or are eligible for a special exemption from this test.
71	Government co-contributions are only possible for people who are under 71 at the end of the year in which they made their non-concessional contribution.
75	All contributions except downsizer contributions must stop by the 28th day of the month after your 75th birthday. The only exceptions are "mandated" employer contributions (contributions the employer is legally obliged to make).

[1] To satisfy the work test you need to do paid work (which can include work in your own business) for at least 40 hours in a 30 day period during the financial year. Some people get a special exemption from this test – if they had less than $300,000 in super at the end of the previous year and also met the work test in that year (but haven't met it this year). You can only use this special exemption once.

More detail on the contribution caps

The usual caps for concessional and non-concessional contributions are $27,500 and $110,000 respectively as mentioned earlier.

But both caps have extra rules that sometimes result in higher or lower caps.

Concessional contributions

If you don't use your concessional contribution cap in a particular year, it might be possible to use it in a future year. This chance to make extra contributions is often called making "catch up" concessional contributions because you can "catch up" on what you've missed out on in the past.

There are, of course, rules.

You can only look back 5 years at most and these rules have only existed since 1 July 2018. So for now, you can only go back and catch up on caps you missed out on in 2018/19, 2019/20, 2020/21 and 2021/22.

You can only use these rules in a particular year if you had less than $500,000 in super at the end of the previous year. So for 2022/23, you need to have less than $500,000 in super at 30 June 2022. It doesn't matter if your super was over $500,000 at some point in the past (or even if it grows over that threshold during the year), the only date that matters is the previous 30 June.

But these catch up rules can be very valuable.

Example

Liz is 50 and had $400,000 in super at 30 June 2022. In the last few years, she's had regular employer contributions but has fallen about $10,000 pa short of her concessional contributions cap every year since 1 July 2018. That means she had a total of $40,000 in unused concessional contribution caps at 30 June 2022. She expects a similar amount this year as her employer contributions will only be around $17,500. In 2022/23 she sold an investment

property and made a very large capital gain. An extra tax deduction would be very handy! Liz can:

- make an extra contribution of up to $50,000 (the $40,000 she'd carried forward to 30 June 2022 plus the amount of her cap she doesn't expect to use this year), and
- claim a personal tax deduction for this $50,000 contribution.

The $50,000 tax deduction will allow her to reduce the capital gains tax on her property. Let's say she's expecting to pay tax at 37% + Medicare. A $50,000 deduction will save her $19,500 in tax. On the flipside, claiming a tax deduction for the contribution means it will be a concessional contribution and will be taxed in her super fund at 15% ($7,500). But overall she's still ahead by $12,000. Of course tax isn't the only consideration. By making the contribution she's locked up $50,000 of her sale proceeds in super. She might want the money to buy her next property – so she would have to weigh this up against the tax saving.

Non-concessional contributions

Non-concessional contributions have a completely different mechanism for varying the standard caps.

A cap of $nil for some

Firstly, the non-concessional contributions cap is reduced to $nil for anyone who already had a lot in super at the previous 30 June. For 2022/23, the threshold is $1.7m.

> *Anyone who had $1.7m or more in super at 30 June 2022 has a non-concessional contributions cap of $nil for 2022/23.*

Example

Trish (60) had $1.75m in super at 30 June 2022. Her non-concessional contributions cap for 2022/23 is therefore $nil. What if her super has dropped to $1.68m by 30 June 2023? Her cap in 2023/24 will be back to the normal level of $110,000.

But she doesn't get to go back and "catch up" on what she missed out on in 2022/23 like the concessional contributions cap rules. The fact that she had a non-concessional contributions cap of $nil in 2022/23 means she's missed this year forever.

Just like the other thresholds we've talked about so far, it's only the amount of super at 30 June that's important. For example, Kylie had $1.65m in super at 30 June 2022 but her balance had grown to $1.75m by the time she was ready to make her non-concessional contribution in 2022/23. That doesn't matter, her non-concessional contributions cap is still $110,000 for 2022/23 because her super was less than $1.7m at the only date that matters this year : 30 June 2022.

A higher cap for others

The non-concessional contributions cap is unique in that it's one you can choose to use in advance in certain circumstances – for example, making large contributions "now" to use up to three years' worth of caps at once. This is called "bringing forward" and the rules that dictate how this works are referred to as the "bring forward rules".

How much you already have in super is important in working out how many years' caps you can bring forward and use in advance.

If your total super balance at 30 June 2022 is	Your non-concessional contributions cap in 2022/23 is
$1.7m or more	$nil
$1.59m – less than $1.7m	$110,000 – you can use this year's cap but you're not allowed to bring forward any future years' caps
$1.48m – less than $1.59m	$220,000 – you can use this year's cap and bring forward next year's as well. You'll then have to wait until 1 July 2024 before you have another year's cap available to you.
Less than $1.48m	$330,000 – you can use three years' caps at once (this year plus the next two years). You'll then have to wait until 1 July 2025 before you have another year's cap available to you.

If you're allowed to bring forward future years' non-concessional contributions caps, it's not something you have to formally elect to do or request permission for. It will happen automatically. As soon as you make non-concessional contributions over the normal annual cap, the ATO will assume that you're trying to use future years' caps and your 2 year or 3 year period (and $220,000 or $330,000 total cap amount) will be locked in.

Sometimes that can be a bit of a disaster.

Example

Ellen has $1m in super and wants to contribute as much as possible in non-concessional contributions over the next few years. She could just contribute $330,000 "now". She wouldn't be able to make any more non-concessional contributions until 1 July 2025 as she will have used up all three years' caps (2022/23, 2023/24 and 2024/25).

Alternatively, if it's close to the end of the financial year, she could contribute $110,000 "now" and another $330,000 as soon as the new financial year starts. The benefit of staggering her contributions like this is that she gets to put $440,000 into super quite quickly, albeit she can't make any more non-concessional contributions until 1 July 2026 (three years after 1 July 2023).

Her plans would be completely derailed if she accidentally made a non-concessional contribution of $120,000 now. She would lock in a three year period from 1 July 2022 – 30 June 2025 and could only contribute a maximum of $330,000 over that time.

Both the caps and the thresholds are increased periodically.

What if you go over these caps?

These days, if you go over the caps it's often not a disaster. (The rules on this particular issue have changed many times in the last 15 years so don't be surprised if you've made this mistake before and had a much worse outcome.)

Excess concessional contributions

If you go over your concessional contributions cap, you'll have what's known as an "excess" (this is basically the amount of your concessional contributions over and above the cap).

The first thing that happens is that the ATO re-works your personal tax return for the year the contribution was made to add this excess back in as if you had received it as personal income. You'll be given an extra tax bill. Because your super fund has already paid 15% tax on your

concessional contributions (including any excess) you get a special tax offset of 15% to reflect this but generally there is still more tax to pay.

You then have some choices to make.

You can just pay the extra tax personally and leave all the contribution in your super fund. But if you do, the excess will also count towards your non-concessional contributions cap (see below).

Alternatively, you can tell the ATO you want to take the excess out of your super fund. The ATO will contact your super fund for the money and the fund will hand over 85% of your excess concessional contribution (the other 15% will have already been taken out to pay the usual tax on contributions). The ATO will then take out any extra taxes you owe and give you what's left over. If you do this, the excess won't count towards your non-concessional contributions cap.

Excess non-concessional contributions

The treatment of excess non-concessional contributions is different.

This time, if you do nothing, the ATO will contact your super fund directly and get it to pay the excess to the ATO. It's not just the excess contribution that's paid to the ATO but also an extra amount known as "associated earnings". (Think of the associated earnings as being interest notionally building up in your fund on your excess contribution, except that it's calculated using very high interest rates set by the ATO rather than what your fund actually earned.) Once again, the ATO will re-work your personal income tax return but this time they will be adding back these "associated earnings" to your income (and again, giving you a tax offset to reflect the 15% tax super funds normally pay on their actual earnings). You'll get whatever is leftover after any extra tax has been paid.

You can tell the ATO to leave your excess non-concessional contributions in your fund. If you do, the process is completely different and most importantly the ATO will issue your fund a bill for 47% of the excess contribution. Usually this is a much more expensive option!

Some important tips and traps

Sometimes the tax rate on concessional contributions is more than 15%

People who earn a lot pay an extra 15% tax on their concessional contributions known as a “Division 293 tax”. It means the total tax paid on their concessional contribution is 30% rather than 15%.

You will have this tax if your income plus concessional contributions is more than $250,000 per annum. (For this purpose, your “income” is – broadly speaking – your taxable income from things like your salary, rent, dividends, trust distributions plus some items like reportable fringe benefits and investment losses are added back in. Talk to your accountant about your particular situation.)

The amount that will be subject to the tax is just the amount that is over $250,000.

Example

Jamie’s income for Division 293 is $230,000. His employer makes concessional contributions of $25,000. The two amounts combined are $255,000. The amount of Jamie’s concessional contributions that is subject to Division 293 tax is $5,000 ($255,000 less $250,000, subject to a maximum of his actual contribution amount of $25,000).

Jamie will receive an extra tax bill of 15% x $5,000 ($750). He can pay it personally or have it released from his super fund.

It can be particularly important to watch out for this tax when making very large concessional contributions. Liz in our earlier example made a concessional contribution of $50,000. If her income that year had been even higher (thanks to the sale of her investment property) and her Division 293 income was (say) $300,000, she would pay the extra 15% on the full $50,000. It might still be worthwhile for her (even 30% tax is better than the 47% she would be paying personally at that level of income).

Paperwork for tax deductions

When someone makes a super contribution from their own money, it's automatically assumed to be a non-concessional contribution. Paperwork is required to turn it into a concessional contribution. There are very important deadlines and requirements for this paperwork. For example, if you want to claim a tax deduction for a contribution you've made in 2022/23, you need to tell the trustee of your super fund (making specific statements) and the trustee has to acknowledge your choice. All of this has to happen before you lodge your personal income tax return for the year (which might be – say – October 2023) or before 30 June 2024 (if you don't lodge your 2022/23 tax return before then). You also need to make sure you do this paperwork before other things happen or your deduction will be denied. For example, you can't lodge this paperwork if you've left the fund in the meantime. Or if you've started a pension. Make sure you talk to your accountant to get this right.

Downsizer contributions

Not everyone sells a small business or experiences a serious personal injury but a great many people sell their home after age 60 (or 55 from 1 January 2023). Downsizer contributions not only come with their own cap ($300,000 per person) but unlike non-concessional contributions, the cap isn't reduced to $nil just because you've already built up a large super balance. Downsizer contributions are available to anyone who meets the conditions, no matter how much they already have in super.

As long as you meet the rules for both, you can even make downsizer contributions ($300,000) plus non-concessional contributions using the three year bring forward rules (another $330,000) in the same year.

But again there are forms to complete and deadlines to meet.

Making contributions that aren't cash

The vast majority of contributions are made by transferring cash into the fund. There are certain circumstances where you can make a contribution by transferring into super assets you already own instead – for example, listed shares, certain properties, certain managed funds etc.

If you want to do this, it's really important to talk to your accountant or

adviser about the transaction first. There are strict rules about the sorts of assets that a super fund can acquire like this.

Watch the timing

Timing is often everything with contributions. For example, it is often vital to have a contribution in the fund before the end of the financial year to make proper use of the relevant caps, get a tax deduction in the correct year etc.

Equally, it might be important to get a contribution into the fund before reaching a critical birthday or date.

When it comes to super laws, what matters is whether or not the contribution has effectively left the control of the person or entity making it. If you tend to make your contributions via internet banking, the ATO will generally require the funds to have actually arrived in your super fund's account – so don't try to do this just before midnight on 30 June.

Lots of employers use companies called "clearing houses" to manage contributions. (It means they can pay contributions for all of their employees to one place and the clearing house sorts getting the money to each individual super fund.) It's not uncommon for there to be delays between when the employer makes the contribution and when it lands in your super fund. The key date for you – when it comes to your contribution caps – is when it lands in your super fund, not when it's received by the clearing house.

The slight uncertainty about exactly when an employer contribution will arrive at its final destination is why a lot of people make any "extra" contributions (where they really care about the timing) as personal contributions for which they claim a tax deduction rather than salary sacrifice.

The money is generally trapped inside super until age 65 or retirement

Whilst there might be great tax breaks for getting money into super, those tax breaks come with a trade-off – your super monies generally can't be accessed (eg drawn as a lump sum or a pension) until you reach age 65 or retire. Depending on your age, this can be very long time away.

Next steps

As you can see, the rules around superannuation contributions can be complicated. If you are thinking of making contributions to super, speak with your accountant or adviser so they can help you unravel the complexity and identify strategies to maximise the tax benefits.

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