

HIGHER PAID LOCAL GOVERNMENT EMPLOYEE CONTRIBUTIONS

Due to the higher contributions required under the Local Government Act, you may exceed the concessional contribution cap.

What are concessional contributions?

Concessional contributions are super contributions from income you have not already paid tax on. They include employer contributions, salary sacrifice contributions and personal contributions you claim as a tax deduction. Concessional contributions are subject to 15% contributions tax on entry to super.

An additional 15% tax applies to concessional contributions if your total income is more than \$250,000. Total income is defined in a similar way to that for Medicare levy surcharge purposes.

Concessional contributions cap

The Australian Government caps concessional contributions. The annual concessional contributions cap is \$25,000 for all individuals.

What happens when I exceed the concessional cap?

Concessional contributions above the cap will be taxed at your marginal tax rate plus an excess contributions charge. The Australian Taxation Office (ATO) will send you a notice detailing your liability for additional tax and the charge. To pay the liability, you can elect for us to release up to 85% of your excess concessional contributions to the ATO (15% contributions tax would have already been paid). The ATO will refund any excess contributions released above your liability. See the superannuation section of their website at www.ato.gov.au for more information.

Am I likely to exceed the concessional cap?

Those on higher salaries and with an Accumulation account are most likely to exceed the concessional contributions cap. Higher employer contribution rates apply to local government employees under the Local Government Act, and this, combined with the requirement to make member contributions (with the option to salary sacrifice) increases the likelihood of exceeding the cap.

Your standard member contribution rate*	Your employer's contribution rate	Salary at which contributions will go over the cap from 1 July 2018#
6%	12%	\$138,000
5.89%	14%	\$125,000

* Assumes salary sacrifice

Approximate for the financial year shown above

What are my options?

The Local Government Act allows employees who will exceed the cap to limit concessional contributions to the amount of the cap and take any additional amount as salary. If you are affected, you can form an agreement with your employer regarding the employer and standard member contribution rates that apply to you. This arrangement cannot be used to reduce your contributions below the concessional contributions cap for the year. This legislation does not apply to members with a Defined Benefit account.

Can't I just stop contributions once I've reached the cap?

Your employer is still required to meet superannuation guarantee contribution requirements each quarter, at a minimum. This means contributions cannot be stopped for an entire quarter or longer period. An agreement made partway through the year will help but may not stop you from exceeding the cap.

Over a full financial year, this measure can reduce contributions to the cap (unless you make extra salary sacrifice contributions above the required member contribution, claim a tax deduction for a personal contribution or have concessional contributions paid into your account from another source).

Would it help if I made my contributions after tax?

If you choose to make the required member contributions from after-tax pay, they will not count towards your concessional cap. Instead, they will count towards your non-concessional contributions cap (which is currently \$100,000). The tax implications of this decision depend on your personal circumstances. Before making any decision you should seek professional tax advice to understand the impact on your overall tax position.

What if I make extra contributions to my super?

The only contributions that can be reduced under this relief are the compulsory contributions mandated under the Local Government Act. Employers cannot take into account any extra amounts you are paying into super when they are reducing contributions to the cap.

Any other salary sacrifice super contributions, personal contributions for which a tax deduction is claimed or contributions from other employers will also count towards the concessional cap but cannot be addressed by this relief.

What do I need to do?

If you are likely to exceed the concessional contributions cap due to employer and compulsory contribution rates, you should discuss the option to reduce your contributions with your payroll department.

You can only benefit to the extent that you reach the concessional cap but your contributions cannot be less than the cap.

Any agreement with your employer to reduce contributions under the relief must be in writing. A copy of the agreement must be provided to LGIASuper within 2 months of making it.

Your employer may produce a form or letter for you. At a minimum the agreement needs to show:

- your name
- the date the agreement comes into effect
- the dollar amount of the contributions to apply
- the period the amount of contributions will apply to.

The agreement will need to be revised if the concessional cap changes.

What if my employer can't do this?

Your employer must agree to the arrangement. Unfortunately, if your employer will not or cannot participate you will be unable to take advantage of this relief.

Let's start the conversation

Our trusted and reliable team can work with you to grow your savings and plan a strong financial future. For fee-free advice about your contribution options, call us on **1800 444 396** or visit our website at **lgiasuper.com.au**.

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