

TAX TALKS

Australia's Tax News Podcast - The Podcast for Australian Tax Professionals

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215 | Excess Concessional Contributions

Excess concessional contributions can work to your advantage.

Excess Concessional Contributions

Any excess concessional contributions will go into your assessable income. This doesn't sound great. It sounds like something to avoid at all costs. But not necessarily.

In this episode Grant Abbott of Lightyear Docs and I love SMSF will show you that excess concessional contributions might actually work for you.

To listen while you drive, walk or work, just access the episode through a free podcast app on your mobile phone.

Here is what we learned, but please listen in since Grant explains this much better than we ever could. And please ask your financial adviser for details. Don't believe anything we say.

Concessional Contribution Cap

Each year you can contribute \$25,000 in concessional contributions. If your total superannuation balance is below \$500,000, then you can use the unused cap space from up to 5 previous years.

Excess Contributions

When you go over these contributions, you have excess concessional contributions. The excess is included in your assessable income and taxed at your marginal tax rate.

However, when these excess concessional contributions hit your super, your super fund paid 15% contribution tax on these contributions.

So when the excess hits your accessible income, you receive a tax offset for this tax already paid.

Excess Power Play

So depending on what your marginal tax rate outside of super is, all this can work in your favour.

Let's go through an example. Let's say the family trust distributes \$50,000 income to Bob and \$50,000 income to Sally, which they contribute to their SMSF as concessional contributions. So their assessable income is back to zero thanks to the tax deduction they claim.

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Their SMSF pays 15% contribution tax on each of the \$50,000. The excess of \$25,000 is then added back to their assessable income but they receive a 15% tax offset for the tax already paid. And this 15% tax offset will eliminate most of the income tax.

So this is just a short hint at what Grant will talk about in this episode. Please listen in as Grant explains all this in a lot more detail.

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