

## Superannuation Co-Contribution

The superannuation co-contribution is an Australian Government initiative to help eligible individuals boost their retirement savings.

If you're a low- or middle-income earner and make personal (after-tax) contributions to your superannuation fund, the government also contributes (called a co-contribution) up to a maximum amount of \$500.

The amount of government co-contribution you receive depends on your income and how much you contribute.

When you lodge a tax return, the ATO will work out if you're eligible. If your superannuation fund has your tax file number (TFN), the ATO will pay it to your superannuation account automatically.

The way your co-contribution is calculated depends on the financial year in which you made your personal superannuation contributions.

### Eligibility for the super co-contribution

You will be eligible for the super co-contribution if you can answer yes to all the following:

- you made one or more eligible personal super contributions to your super account during the financial year, and
- you pass the two income tests described below:
  1. income threshold test
  2. 10% eligible income test
- you were less than 71 years old at the end of the financial year, and
- you did not hold a temporary visa at any time during the financial year (unless you are a New Zealand citizen or it was a prescribed visa), and
- you lodged your tax return for the relevant financial year.

As an extra, from the 2017-18 financial year onwards:

- you have a Total Superannuation Balance less than the transfer balance cap on 30 June of the year before the relevant financial year, and
- you have not contributed an amount more than your non-concessional contributions cap for the relevant financial year.

### **Important - Beware**

You are not entitled to a superannuation cocontribution for any personal contributions you have made that have been allowed as a tax deduction.

### **1. Income threshold test**

To receive the super co-contribution, your total income must be less than the higher income threshold for that financial year (see the income thresholds for that financial year).

For the purpose of this test, your total income is:

- the sum of the following:
  - your assessable income for the financial year, and
  - your reportable fringe benefits total (RFBT) for the financial year, and
  - your total reportable employer super contributions for the financial year.
- less
  - your allowable business deductions.

For those of you carrying on a business, you may have a high turnover but still be eligible for the super co-contribution due

to your allowable business deductions.

### **Income thresholds**

There are two co-contribution income thresholds:

- a lower threshold - \$36,021 for the 2016/17 financial year,
- a higher threshold - \$51,021 for the 2016/17 financial year.

If your total income is equal to or less than the lower threshold and you make personal contributions of \$1,000 to your super account, you will receive the maximum co-contribution of \$500.

If your total income is between the two thresholds, your maximum entitlement will reduce progressively as your income rises.

You will not receive any co-contribution if your income is equal to or greater than the higher threshold.

If your co-contribution is less than \$20, the ATO will pay the minimum amount of \$20.

### **2. 10% eligible income test**

To satisfy this test, 10% or more of your total income must come from employment-related activities, carrying on a business, or a combination of both. Amounts from these sources are referred to as eligible income amounts.

For this test, your total income is not reduced by your allowable business deductions. This is to ensure self-employed individuals are not disadvantaged if they have low income or low profit margins in a financial year.



## Eligible income examples

Working out the exact total income and eligible income may be complex, depending on your circumstances.

Generally, income that is related to employment or business is eligible income. This would include:

- salary and wages, or
- business income earned as a sole trader or in a partnership, or
- director fees.

The following types of income are not eligible income for super co-contribution purposes:

- non-business partnership distributions, or
- distributions from a trust, or
- income from individually or jointly held assets, such as interest, rent and dividends, or
- income related to another year of employment, such as employment termination payments and lump sum payments.

## Making personal super contributions

Personal super contributions are the amounts you contribute to your super fund from your after-tax income (that is, from your take-home pay). These contributions:

- are in addition to any compulsory super contributions your employer makes on your behalf, and
- do not include super contributions made through a salary-sacrifice arrangement.

To be eligible for the super co-contribution, your personal contributions need to be paid to a complying super fund. However, personal contribution amounts claimed (and allowed) as an income tax deduction will not be eligible for the co-contribution.

## How to make personal super contributions

You do not need to make your personal contributions as a single lump sum. You can make payments throughout the financial year. We use the total amount you have contributed for the year to calculate the co-contribution.

Your super fund can tell you how to make personal contributions. Most funds offer you several options including BPAY, direct debit and through your bank account.

In some cases, you can make regular super contributions into your super account directly from your after-tax pay. If the contributions come from your before-tax pay, they are generally referred to as salary-sacrificed contributions and will not qualify for the super co-contribution.

Your super fund will also need your TFN before it can accept your personal contributions.

### Chan & Naylor Tip

Your personal contributions must reach your super fund by 30 June each year for you to receive a government co-contribution for that financial year.



## Super co-contribution amounts

The table below shows examples of what your co-contribution amount would be in 2016–17, depending on your income level and your personal super contribution for the year.

**Contributions made in the 2016-17  
Income year**

| Income           | Personal super contribution |       |       |       |
|------------------|-----------------------------|-------|-------|-------|
|                  | \$1,000                     | \$800 | \$500 | \$200 |
| \$36,021 or less | \$500                       | \$400 | \$250 | \$100 |
| \$39,021         | \$400                       | \$400 | \$250 | \$100 |
| \$42,021         | \$300                       | \$300 | \$250 | \$100 |
| \$45,021         | \$200                       | \$200 | \$200 | \$100 |
| \$48,021         | \$100                       | \$100 | \$100 | \$100 |
| \$51,021 or more | \$0                         | \$0   | \$0   | \$0   |

## Receiving the super co-contribution

When you lodge your tax return the ATO will determine the co-contribution amount you are entitled to and pay it directly to your superannuation fund.

The preservation rules that apply to your current superannuation entitlements will also apply to the co-contribution.

## Being Financially Sorted

There are not too many instances where our government will give you money for saving for your retirement, but this is certainly one of them. It's important to ensure that before contributing to your superannuation fund that you are eligible to receive the super co-contribution.

Being financially sorted is important for us all and hopefully the super co-contribution goes some way towards helping you.

**We hope that this summary gives you guidance on choosing whether the super co-contribution could be advantageous to you.**

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### \*Disclaimer

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If any products are discussed, you should obtain a Product Disclosure Statement relating to the products and consider its contents before making any decisions. It is recommended to seek advice from a qualified professional relevant to your particular needs or interests. (For instance, Tax Advice from a Tax Agent, Financial Advice from a Licensed Financial Adviser and so on and so forth).



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