



What to do if you exceed your super contribution caps

Superannuation is a great way to save for retirement, but the government sets strict limits on how much you can contribute each year. These limits are called contribution caps. If you go over them, you could face extra tax. But don't panic – here's what you need to know and the steps to take if this happens.

Understanding the caps

There are two main caps you need to keep in mind:

1. **Concessional contributions cap**
 - » These are contributions made before tax, such as employer super guarantee (SG) payments, salary sacrifice, and personal contributions you claim a tax deduction for.
 - » For the 2025/26 financial year, the cap is \$30,000 per year.
2. **Non-concessional contributions cap**
 - » These are contributions made from your after-tax income, like personal contributions where you don't claim a tax deduction.
 - » The cap is \$120,000 per year, or up to \$360,000 if you use the "bring-forward" rule (this allows you to contribute three years' worth at once if you're under 75).

What happens if you go over?

If you exceed either cap, the ATO will issue an excess contribution determination notice outlining your options for resolving the excess. This letter will explain what happened and tell you how much tax you'll need to pay on the excess amount.

continued overleaf ➡

This information has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs.

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Your options if you exceed the concessional cap

If your concessional contributions go over the \$30,000 cap, the excess amount is added to your taxable income. This means you'll pay tax on it at your normal income tax rate, but you'll get a 15% tax offset because your super fund has already paid tax on that money.

You have two choices:

- » Withdraw up to 85% of the extra amount from your super to help cover the extra tax, or
- » Leave the money in your super and pay the extra tax from your own pocket. Keep in mind, if you leave it in, the extra amount will also count towards your after-tax (non-concessional) contribution limit.

Either way, the ATO will calculate how much tax you owe, so there's no guesswork on your part.

Your options if you exceed the non-concessional cap

If you exceed the non-concessional cap, the ATO will give you two choices:

1. **Withdraw the extra contributions out**
 - » You can withdraw the excess contributions plus any earnings they made.
 - » The earnings are taxed at your usual income tax rate, but you'll get a 15% tax offset to reduce the bill.
 - » No extra penalty tax applies if you take the money out.
2. **Leave the excess contributions in your super fund:**
 - » You'll pay a 47% tax on the excess amount.
 - » This option is rarely beneficial which is why most people choose to withdraw the extra amount to avoid the big tax hit.

If your concessional contributions go over the \$30,000 cap, the excess amount is added to your taxable income. This means you'll pay tax on it at your normal income tax rate, but you'll get a 15% tax offset because your super fund has already paid tax on that money.

Tips to avoid going over the caps

- » **Track your contributions:** Check with your employer and super fund to see how much has been paid in each financial year.
- » **Consider timing:** Contributions count in the year your super fund receives them, not when you make them.
- » **Watch the bring-forward rule:** If you use it, you can't make more non-concessional contributions for the next two years.
- » **Use ATO online services:** You can link your myGov account to the ATO to see real-time contribution information.

⇒ The bottom line

Exceeding your super caps can be stressful, but the ATO has a process to help you manage it. Understanding your options and acting quickly when you receive a letter will help you reduce extra tax and keep your retirement savings on track. Remember, if you're unsure what to do, come and talk to us – we're here to guide you through it. 💰

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