



# NEW increased super contribution caps

As the end of financial year gets closer, some investors are thinking about the most effective ways to boost their super balance, particularly with an increase in the caps on contributions from 1 July.

The concessional contributions cap, (which is the maximum in before-tax contributions you can add to your super each year without paying extra tax), is increasing to \$30,000 from \$27,500 in the new financial year.<sup>1</sup>

The cap increases in line with average weekly ordinary earnings (AWOTE).

It's a good idea to keep track of your concessional contributions – which include any compulsory contributions made by your employer as well as salary sacrifice contributions – so that you don't unintentionally exceed the cap. It is particularly important for those with more than one job or super fund because all of the contributions are added together and must not exceed the cap.

You can check your current balance at ATO online services. Log into your myGov account and link to the ATO to see all your details.

It is also useful to be aware of payment and reporting timelines. For example, your employer can make super guarantee contributions up until 28 July for the final quarter of the financial year and salary sacrifice contributions up until 30 June.

Any amounts showing on the ATO website for your account are based on when your fund reports to the ATO.

### **Carry forward unused amounts**

If you haven't made extra contributions in past years, you may have unused concessional cap amounts.

These can be carried forward, allowing you to contribute more as long as your super balance is less than \$500,000 at 30 June of the previous financial year.

You can carry forward up to five years of concessional contributions cap amounts.

### **Getting close to exceeding the cap?**

If you're worried about going over the cap, you may wish to stop any further voluntary contributions based on an assessment of the extra tax you will pay.

For those with two or more employers, you may opt out of receiving the super guarantee from one of the employers.

Meanwhile, if special circumstances have caused you to exceed your cap, it's possible to apply to the ATO for some or all of the contributions to be disregarded or allocated to the next financial year.

But, if all else fails and you have exceeded the cap, the excess contributions will be included in your assessable income and taxed at your marginal rate less a 15 per cent tax offset. The good news is that you can withdraw up to 85 per cent of the excess contributions from your super fund to pay your tax bill. Any excess contributions left in the fund will be counted towards your non-concessional contributions cap.

## Timing is everything

The upcoming Stage 3 tax cuts, which commence on 1 July 2024, may affect the value of your concessional contributions. For some, tax benefits may be greater if contributions are made before the tax cuts begin.

Please check with us about your circumstances to make sure you make the most effective move.

## Non-concessional cap also increased

The non-concessional contributions cap is the maximum of after-tax contributions you can make to your super each year without paying extra tax.<sup>i</sup>

The non-concessional cap is exactly four times the amount of the concessional cap so it increases from \$110,000 to \$120,000.

If you exceed the cap, you may be eligible to use the 'bring forward rule', which allows you to use caps from future years and possibly avoid paying extra tax. It means you can make contributions of up to two or three times the annual cap amount in the first year of the bring forward period.<sup>ii</sup>

If your total super balance is equal to or more than the general transfer balance cap (\$1.9 million from 2023–24 and 2024–25) at the end of the previous financial year, your non-concessional contributions cap is zero for the current financial year.

We'd be happy to help with advice about how the changes in contribution caps might affect you and whether you are eligible for the bring forward rule.

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## Non-concessional contributions

### Bring-forward cap first year (applying to 2023–24 and later years)

Total super balance on 30 June of previous year	Non-concessional contributions cap for the first year	Bring-forward period
Less than \$1.68 million	\$330,000	3 years
\$1.68 million to less than \$1.79 million	\$220,000	2 years
\$1.79 million to less than \$1.9 million	\$110,000	No bring-forward period, general non-concessional contributions cap applies
\$1.9 million or more	nil	Not applicable

<sup>i</sup> Understanding concessional and non-concessional contributions | Australian Taxation Office (ato.gov.au)

<sup>ii</sup> Non-concessional contributions cap | Australian Taxation Office (ato.gov.au)

Phil Thompson is a Certified Financial Planner and Director of Rise Financial Pty Ltd as trustee for the Thompson Family Trust (ACN: 123 540 027), Australian Financial Services Licence: 311718.

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