

Contribution Caps

March 2024

Contribution Caps

Outside of relying on investment returns, the best way to ensure that your retirement assets grow over time is through superannuation contributions. There are two main types of contributions – concessional and non-concessional. Following the release of Average Weekly Ordinary Time Earnings (AWOTE) data, the required increase has occurred such that the contribution caps will be lifted from 1 July 2024.

Concessional contributions (CCs) are made to super funds before tax, and are taxed at a rate of 15%. From 1 July 2024, the standard concessional contribution cap will increase from \$27,500 to \$30,000 as a result of indexation. It is important to note that the increase in the super guarantee from 11% to 11.5% is included in the CC cap from 2024/25.

The cap for non-concessional contributions, which are made to superannuation after tax has been paid, will also increase. The non-concessional contribution (NCC) cap is set at four times the general CC cap. The following table summarises the changes that will occur from the 2024/25 financial year.

Cap	2023/24	From 1 July 2024
Concessional (e.g. employer super guarantee, salary sacrifice and personal contributions claimed as a tax deduction)	\$27,500	\$30,000
Non-concessional (e.g. personal voluntary contributions)	\$110,000	\$120,000
Non-concessional bring-forward	Up to \$330,000	Up to \$360,000

If you make voluntary personal contributions that are claimed as a tax deduction, the increased CC cap may mean a larger deduction and tax saving. From age 67, you must meet the work test– or satisfy the work test exemption – to claim a tax deduction for personal contributions. Unlike concessional contributions, NCCs are linked to the size of a member’s total super balance as outlined below.

Non-Concessional Cap Bring-Forward Rule

The NCC bring-forward rules allow you to advance the contributions limit from a three-year period and use amounts over a shorter period. The maximum NCC bring-forward cap will increase from \$330,000 to \$360,000.

Eligibility for the bring-forward arrangement depends on the ‘Total Superannuation Balance’ (TSB) of the member. As indicated in the tables below, eligibility for either the two or three year bring-forward is based on the general transfer balance cap (TBC) in the year the bring-forward is triggered, and the individual’s TSB at the prior 30 June. In other words, it’s harder to qualify if you’re close to a threshold.

Cap 2023/2024	TSB* as at 30 June 2023	NCC** Cap Amount
Annual Cap	<\$1.9m	\$110,000
Bring Forward Allowance***	<\$1.68m	\$330,000
	\$1.68m to <\$1.79m	\$220,000
	\$1.79m to <\$1.9m	\$110,000
	\$1.9m +	Nil

*TSB: Total Superannuation Balance.
 **NCC: Non-concessional Contribution

***People aged 75 years or older on 1 July cannot trigger the bring forward rule. If the individual has attained age 75, the contribution must be received by the super fund within 28 days from the end of the month in which they attain age 75.

Cap 2024/2025	TSB* as at 30 June 2024	NCC** Cap Amount
Annual Cap	<\$1.9m	\$120,000
	<\$1.66m	\$360,000
Bring Forward Allowance***	\$1.66m to <\$1.78m	\$240,000
	\$1.78m to <\$1.9m	\$120,000
	\$1.9m +	Nil

*TSB: Total Superannuation Balance.

**NCC: Non-concessional Contribution

***People aged 75 years or older on 1 July cannot trigger the bring forward rule. If the individual has attained age 75, the contribution must be received by the super fund within 28 days from the end of the month in which they attain age 75.

It is also important to note that the maximum NCCs available under the bring-forward rule is determined by the NCC cap in the year the bring-forward is triggered. Indexation of the annual NCC cap during the bring-forward period will not increase the available bring-forward amount.

Conclusion

The annual concessional contribution and non-concessional contribution caps will increase to \$30,000 and \$120,000 respectively. This is the first time the caps have been raised in three years. An increase in the contribution caps presents an opportunity for superannuation members, however extra contributions will not always be the best strategy option. If you would like to discuss any of the above in further detail, please contact your adviser.

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