

Non-Concessional Contributions

November 2023

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When it comes to building up assets within superannuation, most people acknowledge that their regular employer contributions do a large portion of the work. Separate to this, non-concessional contributions can also provide significant opportunities. The important rules associated with making non-concessional contributions are highlighted below.

There are two main types of super contributions. **Concessional contributions** are contributions made by an employer or via 'before-tax' dollars, such as super guarantee amounts, salary sacrifice and tax-deductible contributions. **Non-concessional contributions** are amounts made to super from 'after-tax' dollars. Individuals that perform non-concessional (personal) contributions use money, savings or assets that have already been taxed at normal tax rates.

Non-Concessional Contribution Caps

Non-concessional contributions (NCCs) are subject to an annual limit of \$110,000, with the amount added to the tax-free component of a superannuation fund benefit. The fund does not pay tax when these types of contributions are performed. However, NCCs can provide the ability to obtain tax savings in the long run from the concessional nature of superannuation earnings. Earnings inside superannuation are taxed at a maximum rate of just 15%.

Superannuation Tax Rate (Earnings)	Rate (%)
Accumulation Phase	15%
Pension (Retirement) Phase	0%

**The final tax rate on capital gains held for longer than 12 months is 10%. Interest, dividends and income are generally taxed at 15% in the accumulation phase.*

As you would imagine, an individual's capacity to make NCCs is subject to some restrictions. The rules are based around age and the Total Superannuation Balance (TSB) at 30 June of the previous financial year.

- Contributions must generally be accepted no later than 28 days after the end of the month in which you turn 75.
- Where the TSB exceeds \$1.9 million, you are unable to perform NCCs. This is indicated in the below table. It is important to note that the TSB includes all accumulation and pension balances of an individual, as well as funds in transit (rollover).

Your NCC cap can be changed if you're eligible for the bring-forward arrangements. With respect to the NCC 'bring-forward' provisions, this also comes down to assessment against the TSB. The bring-forward is triggered when the total annual NCCs exceed the annual cap.

Cap 2023/2024	TSB* as at 30 June 2023	NCC** Cap
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.*

For those considering triggering a bring-forward allowance, careful consideration is required as either a two year or three year timeframe may apply. Contributing too much could mean extra tax consequences. Furthermore, it is important to be aware that you can't access your super benefit until you meet a condition of release (such as reaching preservation age and retiring).

Conclusion

Making non-concessional (after-tax) contributions into super may help to increase retirement savings and your tax-free component. If you would like additional information about maximising your contributions or have any questions, please contact your adviser.

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