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### **Latest news and insights**

#### **Contribution caps from 1 July 2024 confirmed – advice considerations**

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The annual concessional contribution (CC) and non-concessional contribution (NCC) caps will increase to \$30,000 and \$120,000 respectively on 1 July 2024. This follows the release of the AWOTE figure for December 2023.

There are a number of opportunities to make additional voluntary CCs and NCCs before and after 30 June this year and related advice considerations. The appropriate timing of contributions will depend on a number of factors, such as a client's:

- age and birthdate
- taxable income
- total super balance (TSB) on 30 June (2023 and 2024)
- CC and NCC cap space
- surplus cashflow and other issues.

Note: The indexation of the CC and NCC caps is determined after applying AWOTE figures to the legislative formula. However, advice recommendations should only be made after the ATO formally confirms key super rates and threshold for 2024/25.

#### **NCC advice considerations and opportunities**

##### Consider TSB when making NCCs

The annual NCC cap is increasing from \$110,000 to \$120,000 from 1 July 2024. For higher balance clients, the ability to make NCCs and use the NCC bring forward rules are limited by their TSB. The 2023/24 and 2024/25 caps and thresholds are shown in the following tables. The reduced NCC bring forward thresholds make it important to check your clients' 30 June 2024 TSB to determine eligibility for NCC opportunities in 2024/25.

Table 1: TSB thresholds and bring forward caps for 2023/24

<b>SB at prior 30 June 2023</b>	<b>NCC cap</b>
\$1.9m +	\$0
\$1.79m to < \$1.9m	\$110,000
\$1.68m to < \$ 1.79m	\$220,000
< \$1.68m	\$330,000

Table 2: TSB thresholds and bring forward caps for 2024/25

<b>TSB at prior 30 June 2024</b>	<b>NCC cap</b>
\$1.9m +	\$0
\$1.78m to < \$1.9m	\$120,000
\$1.66m to < \$ 1.78m	\$240,000
< \$1.66m	\$360,000

Complete an existing bring forward period

Clients aged less than 75 with remaining NCC bring forward amounts will be eligible to contribute their remaining cap space in 2023/24, if:

- they triggered the bring forward in 2021/22 or 2022/23, and
- their TSB was less than \$1.9m on 30 June 2023.

Clients who triggered a bring-forward in either 2022/23 or 2023/24 don't gain access to the increased NCC cap in 2024/25. This is because the maximum NCCs that can be made under a bring forward are determined in the financial year the bring forward is triggered.

Consider timing when triggering new bring forward

Clients who are in their final financial year of eligibility (either because of their age or TSB), can maximise their available NCCs by triggering the bring forward before 30 June. For other clients, delaying the triggering of the bring forward will generally enable them to maximise NCCs. The tables below outline some alternative sequences where a client has a timeframe of three or four years and assumes they are eligible to contribute each year.

Table 3: Three years to make NCCs

	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>Total</b>
<b>Option 1</b>	\$330,000	\$0	\$0	\$330,000
<b>Option 2</b>	\$110,000	\$360,000	\$0	\$470,000
<b>Option 3</b>	\$110,000	\$120,000	\$360,000	\$590,000

Option 3 allows for the maximum NCCs at \$590,000 by contributing up to the annual cap in the first two years and delaying triggering the bring forward contribution until year three.

Table 4: Four years to make NCCs

	2023/24	2024/25	2025/26	2026/27	Total
<b>Option 1</b>	\$110,000	\$360,000	\$0	\$0	\$470,000
<b>Option 2</b>	\$110,000	\$120,000	\$360,000	\$0	\$590,000
<b>Option 3</b>	\$330,000	\$0	\$0	\$360,000	\$690,000
<b>Option 4</b>	\$110,000	\$120,000	\$120,000	\$360,000	\$710,000

Option 4 maximises NCCs at \$710,000 by contributing up to the annual cap in the first three years and delaying triggering the bring forward contribution until year four.

#### Withdrawal and re-contribution (or transfer to spouse)

Clients aged less than 75 may benefit from using the re-contribution and/or spouse contribution strategy. The client must have enough unrestricted non-preserved super to make a lump sum withdrawal. They also need to re-contribute the withdrawn amount into their super or to their spouse's super as an NCC. Some key benefits include:

- using multiple bring forward periods for those aged between 65 and 75 to maximise the tax-free component, with no requirement to meet the work test
- reducing or eliminating the tax to be paid by non-tax dependant beneficiaries on any death benefit lump sum after the client passes away, and
- maximising the combined amount a couple can invest in retirement phase pensions.

#### **CC advice considerations and opportunities**

##### Greater tax benefits for middle to higher income earners (in 2023/24)

Making voluntary CCs (personal deductible contribution or salary sacrifice) in 2023/24 may provide a greater tax benefit if made before the proposed changes to Stage 3 tax cuts commence on 1 July this year (if passed), by individuals with a taxable income between:

- \$45,000 and \$135,000, and
- \$180,000 and \$190,000.

Table 5: Tax savings of voluntary \$10,000 CC in 2023/24 vs 2024/25

Taxable income	Marginal rate in 2023/24	Net tax saving on \$10,000 CC	Marginal rate from 1/7/2024	Net tax saving on \$10,000 CC	Additional tax saving by making CC in 2023/24
\$80,000	34.5%	\$1,950	32.0%	\$1,700	\$250
\$135,000	39.0%	\$2,400	32.0%	\$1,700	\$700
\$160,000	39.0%	\$2,400	39.0%	\$2,400	\$0
\$190,000	47.0%	\$3,200	39.0%	\$2,400	\$800

#### Use it or lose it - Unused CC cap amounts from 2018/19 (in 2023/24)

Clients with a TSB of less than \$500,000 on 30 June 2023 and unused CCs from the five prior financial years may be eligible to make catch-up CCs. Unused CC cap amounts from 2018/19 will be lost if not used by 30 June 2024. A client must exceed the annual CC cap to utilise their unused CC amounts, and amounts are deducted from the earliest financial year to the latest. Refer to our article 'Don't miss out on carry-forward concessional contributions' for additional information.

Table 6: Annual CC cap since 2018/19

<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
\$25,000	\$25,000	\$25,000	\$27,500	\$27,500	\$27,500	\$30,000

Additionally, if a client's TSB is approaching \$500,000, consider taking advantage of catch-up CCs, as they may be unable to use it in subsequent financial years if their 30 June TSB is equal to or greater than \$500,000.

#### Utilise higher CC cap and increased after-tax income (in 2024/25)

Given the annual CC cap is increasing to \$30,000, the maximum CCs a client could make in 2024/25 is \$162,500 under the catch-up CC provisions (assuming no CCs in the current or five prior financial years). This includes unused CC amounts from 2019/20 to 2023/24, plus the annual CC cap in 2024/25 (see table above).

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