

# Contribution Caps to Increase from 1 July 2021



As we move closer to the end of the financial year, attention often turns to tax planning and reviewing superannuation contribution opportunities. It is also worth noting contribution cap changes that will apply from 1 July 2021. Feel free to contact your adviser if you have any queries.

Concessional contributions (CCs) are made to super funds before tax, and are taxed at a rate of 15%. From 1 July 2021, the annual CC cap will increase from \$25,000 to \$27,500 as a result of indexation.

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 at the beginning of the 2021/22 financial year.

Cap	2020/21	From 1 July 2021 (2021/22)
Concessional (e.g. employer, salary sacrifice and personal contributions claimed as a tax deduction)	\$25,000	\$27,500
Non-concessional (e.g. personal voluntary)	\$100,000	\$110,000
Non-concessional bring-forward	Up to \$300,000	Up to \$330,000

## 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 them over a shorter period. Furthermore, changes that came into effect from July 2017 have brought additional considerations to the NCC allowances.

Eligibility for the bring-forward arrangement depends on the age and total super balance (TSB) of the member. Those aged 65 or older on 1 July cannot access the bring-forward arrangements (although a change to this age restriction is currently before Parliament which would change this to age 67 or older). The TSB rules also determine whether the individual has access to a two or three year bring-forward period.

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.

Thresholds during 2020/21	
Total Super Balance (TSB) at 30 June 2020	Personal NCC cap
\$1.6 million +	\$0 (no bring-forward period)
\$1.5 million < \$1.6 million	\$100,000 (no bring-forward period)
\$1.4 million < \$1.5 million	\$200,000 (2 year bring-forward period)
< \$1.4 million	\$300,000 (3 year bring-forward period)

Coupled with an increase of the TBC to \$1.7 million at 1 July 2021, the new limits from 1 July 2021 will be:

- \$220,000 where eligible for the two-year bring-forward, and
- \$330,000 where eligible for the three-year bring-forward

Thresholds during 2021/22	
Total Super Balance (TSB) at 30 June 2021	Personal NCC cap
\$1.7 million +	\$0 (no bring-forward period)
\$1.59 million < \$1.7 million	\$110,000 (no bring-forward period)
\$1.48 million < \$1.59 million	\$220,000 (2 year bring-forward period)
< \$1.48 million	\$330,000 (3 year bring-forward period)

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

An increase in the aforementioned contribution caps presents an opportunity for superannuation members. However, it is evident that come 1 July 2021, the changes can provide a number of important flow on implications.