

As we move through the second half of the financial year, attention often turns to reviewing the merits of additional contributions into superannuation. When it comes to building a superannuation fund, most people acknowledge that their regular employer contributions do a large portion of the work. Non-concessional contributions can also provide significant opportunities. The important rules associated with these types of 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 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 or assets that have already been taxed at normal tax rates.

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 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 concessionally taxed nature of superannuation earnings. Earnings inside superannuation are taxed at a maximum rate of just 15%.

A member'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.

1. The 'work test' is required if aged between 67 and 74 at time of the contribution. This requires that you have worked at least 40 hours over a consecutive 30 day period in the financial year the contribution is made.
2. Where the TSB exceeds \$1.7 million, an individual will be 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).

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 (2021/2022)                 | Total Super Balance (TSB) as at 30 June 2021 | NCC Cap Amount                          |
|---------------------------------|--|---|
| <b>Annual Cap</b>               | < \$1.7 million                              | \$110,000                               |
| <b>Bring Forward Allowance*</b> | < \$1.48 million                             | \$330,000 (3 year bring-forward period) |
|                                 | \$1.48m to < \$1.59 million                  | \$220,000 (2 year bring-forward period) |
|                                 | \$1.59m to < \$1.7 million                   | \$110,000 (no bring-forward period)     |
|                                 | \$1.7 million +                              | \$0                                     |

*\*Can only be triggered if < age 67 on prior 1 July. If 67 or older at time any contribution is made, work test must be satisfied for the financial year (unless the work test exemption applies).*

For those considering triggering a bring-forward allowance, careful consideration is required as either a two year or three year timeframe may apply. Furthermore, if you would like additional information about maximising your contributions or have any questions, please contact your adviser.

**This publication has been compiled by Entrust Wealth Management, a division of Euroz Hartleys Limited ABN 33 104 195 057 AFSL 230052.**

This publication is current as at time of preparation. Past performance is not a reliable indicator of future performance. Any outlooks in this publication are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the outlooks given in this publication are based are reasonable, the outlooks may be based on incorrect assumptions or may not take into account known or unknown risks and uncertainties. The results ultimately achieved may differ materially from our outlooks. Material contained in this publication is an overview or summary only and it should not be considered a comprehensive statement on any matter nor relied upon as such. The information and any advice in this publication do not take into account your personal objectives, financial situation or needs and so you should consider its appropriateness having regard to these factors before acting on it. This publication may contain material provided directly by third parties and is given in good faith and has been derived from sources believed to be reliable but has not been independently verified. We are not responsible for such material. To the maximum extent permitted by law: (a) no guarantee, representation or warranty is given that any information or advice in this publication is complete, accurate, up-to-date or fit for any purpose; and (b) neither Euroz Hartleys Limited, or its representatives, is in any way liable to you (including for negligence) in respect of any reliance upon such information or advice. It is important that your personal circumstances are taken into account before making any financial decision and we recommend you seek detailed and specific advice from your adviser before acting on any information or advice in this publication. Any taxation position described in this publication is general and should only be used as a guide. It does not constitute tax advice and is based on current laws and our interpretation. You should consult a registered tax agent for specific tax advice on your circumstances. For further information on any issue discussed in this publication, or on any financial matter, please contact your adviser.