Entrust

Non-concessional Contributions

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
Annual Cap	< $1.7 million	$110,000
Bring Forward Allowance*	< $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.

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