Entrust

End of Financial Year (EOFY)

The End of Financial Year (EOFY) is once again fast approaching. This means it is time to dust off the superannuation to-do list ahead of the 30th of June 2022. Given the inevitable June end rush, as well as processing and cut-off times, it is prudent to review actions in advance of deadlines. The following outlines some of the areas that may be applicable for consideration and review.

CONCESSIONAL CONTRIBUTIONS TO SUPER

Concessional contributions (CCs) include personal tax-deductible, employer super guarantee and salary sacrifice contributions to superannuation. Contributions tax of 15% applies against these amounts (although an additional 15% is levied when income is assessed as $250,000 or above).

CCs provide an excellent way to transfer more money to super, whilst also managing personal tax.

The limit for concessional contributions during the 2021/22 financial year is $27,500. However, for those who held super balances below $500,000 at 30 June 2021, they may also be eligible to utilise the unused carry-forward amounts arising from the earlier 2018/19, 2019/20 and 2020/21 financial years.

Where you elect to personally 'top-up' your concessional contributions prior to the EOFY you must ensure that you lodge the appropriate forms both with your super provider and personal tax accountant.

Individuals aged 67 or over (but under the age of 75) are subject to the 'work test'. These rules state that voluntary contributions can only be accepted provided the individual demonstrates gainful employment for at least 40 hours in a period of not more than 30 consecutive days in the financial year. Voluntary contributions include salary sacrifice, personal tax-deductible, non-concessional and spouse contributions (see below).

CONCESSIONAL CONTRIBUTION SPLITTING RULES

Contribution splitting is a useful strategy to equalise member balances between couples. You can split up to 85% of the concessional (taxable) contributions to your spouse on a yearly basis, provided your spouse is under 65 (or if the receiving spouse has reached preservation age but has not yet retired). Amounts can generally only be split in the financial year following the year in which the contributions were made.

NON-CONCESSIONAL CONTRIBUTIONS TO SUPER

Non-concessional contributions (NCCs) are sometimes forgotten, given that unlike concessional contributions, they do not provide any immediate tax saving. Rather, NCCs are contributions made to super with after-tax assets or cash flow. This said, they provide a great opportunity to transfer more wealth to super's tax effective environment.

The limit for non-concessional contributions during the 2021/22 financial year is $110,000, or up to $330,000 where the 'bring forward provisions' are utilised (i.e. bringing forward two future years' worth of cap). Importantly, you are ineligible to make NCCs where your total super balance exceeds $1.7 million as at 30 June of the prior financial year.

Additional rules apply where the total super balance exceeds $1.48 million at 30th June 2021.

OTHER CONTRIBUTION OPPORTUNITIES

Spouse Contribution Tax Offset

This can be a tax effective method to make additional super contributions to a non-working or low-income earning spouse. Provided the spouse earns less than $37,000, a contribution of up to $3,000 can provide a maximum tax offset (rebate) of $540 (18%) to the person making the contribution. Spouse contributions are assessed against the NCC cap of the receiving spouse. The tax offset amount reduces when income is greater than $37,000 and completely phases out when the spouse's income reaches $40,000.

Government Co-Contribution

The Government super boost can arise by paying a little extra into super. Specifically, if lower income individuals who earn at least 10% of their income from employment or carrying on a business make an NCC, they may be eligible for a Government co-contribution of up to $500.

During 2021/22, the maximum co-contribution is available when contributing $1,000 and earnings are $41,112 or less. The Government contributes 50 cents for every dollar personally contributed (up to a maximum co-contribution of $500). Furthermore, the maximum is reduced by 3.33 cents for each dollar of income over $41,112 (before entirely phasing out at $56,113).

SUPER PENSIONS

The EOFY is also a good opportunity to review whether to commence a pension from your super savings. Where you satisfy the associated criteria, commencing a pension can enhance the tax position within super by reducing the associated earnings tax rate from 15% to 0%. Generally speaking, once you attain 65 there is a strong case for commencing a pension within your super benefit even if you are still working.

MINIMUM SUPER PENSION WITHDRAWALS

For those who are already in pension phase, the Government requires that you withdraw a minimum amount from the pension each year so to retain the associated tax benefits. This minimum amount is calculated based on an age-based percentage and the value of your pension at the beginning of the year. For those who do not require the cash flow, electing to only withdraw the reduced (temporary COVID-19) minimum amount can be a good way to preserve further assets inside super.

Member Age (1st July)	Minimum Percentage	Reduction (50%) – 2021/22
Under 65	4%	2%
65 - 74	5%	2.5%
75 - 79	6%	3%
80 - 84	7%	3.5%
85 - 89	9%	4.5%
90 - 94	11%	5.5%
95+	14%	7%

Transition to Retirement Income Streams (TRIS) remain subject to a maximum withdrawal of 10% of the account balance at 1 July.

Disclaimer