

As we've just started a new financial year, it is worth exploring some positive changes to the superannuation contribution rules that are set to create significant opportunities for those aged between 67 and 75. The legislative changes come with trips and traps so let's look at them in further detail.

Removal of the work test (except for personal deductible contributions)

People have generally been working longer, so it makes sense for the contribution age limits to also adjust.

As of 1 July 2022, the 'work test' for personal and salary sacrifice superannuation contributions has been removed. Prior to these changes, members aged 67 to 74 were required to be gainfully employed for at least 40 hours in a consecutive 30-day period within a financial year to make these contributions. Now individuals under the age of 75, who previously did not meet the work test, can reconsider both personal and salary sacrifice contributions.

Personal contributions include:

- Non-concessional contributions (NCCs),
- Spouse contributions,
- Small business CGT cap contributions, and
- Foreign super transfers.

Importantly, individuals aged between 67 and 75 wishing to claim a tax deduction for personal contributions must still meet the work test (or be eligible to apply the work test exemption rules). Other eligibility criteria continue to apply, including the total super balance (TSB) limits and contribution caps.

Ability to utilise the non-concessional contribution bring-forward provisions

NCCs are personal (after-tax) contributions where tax has already been paid or deducted from the money used to make the contribution.

This reform means that up until 75, members are free to contribute three years' worth of non-concessional contributions in one transaction. With the current NCC cap being \$110,000, individuals can use the bring-forward rule and contribute up to \$330,000 to superannuation.

Extension of the bring-forward rule, in conjunction with the removal of the work test, provides opportunities to take advantage of certain strategies including:

- Re-contributions, and
- Equalising balances between spouses.

Other eligibility criteria continue to apply, including the TSB limits and contribution caps (shown below).

Total Super Balance (TSB) as at	Super Guarantee Rate
30 June 2022	Non-Concessional Cap Amount
< \$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

Conclusion

Superannuation provides a tax-effective structure to build assets and save for retirement. There are factors to consider when performing voluntary superannuation contributions, so if you have any queries, please contact your adviser.

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