Entrust

End of Financial Year Checklist

May 2024

The End of Financial Year (EOFY) is once again fast approaching - providing an opportunity to review your position ahead of the new year to come. Given the inevitable June end rush, as well as processing and cut-off times, we believe it prudent to consider important actions in advance of deadlines. The following is an outline of key planning strategies that may require review. However, this may not cover all of your EOFY planning requirements – where appropriate please consult with your accountant or licenced tax adviser.

Concessional Contributions to Superannuation

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 for this financial year is $27,500. However, those who held super balances below $500,000 as at 30 June 2023, may also be eligible to utilise unused carry-forward amounts arising from the previous five financial years (covering the financial years between 1 July 2018 to 30 June 2023). Any unused amounts from 2018/19 will expire if not used by 30 June 2024. Please note, the concessional contribution cap for the 2023/24 financial year must be used in full before utilising any unused amounts from previous financial years.

Additional CCs can be made from surplus cash, savings and in some cases in-specie transfer of existing investments. Where you elect to personally 'top-up' your concessional contributions prior to the EOFY you must ensure that you lodge the appropriate tax-deduction forms both with your super provider and personal tax accountant. Importantly, you must have sufficient assessable income for that financial year to be able to claim the tax deduction.

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 no more than 30 consecutive days in the financial year. Voluntary contributions include salary sacrifice, personal tax-deductible, non-concessional and spouse contributions (see below).

With Stage 3 tax cuts commencing from 1 July 2024, making voluntary concessional contributions prior to the end of this financial year can provide a greater tax benefit. From 1 July 2024, marginal tax rates for most income brackets will be lower, in turn reducing the tax benefit derived from making a personal deductible contribution.

The Superannuation Guarantee (SG) contribution rate will also increase from 1 July 2024 to 11.5%. It is important to review any salary sacrifice arrangements prior to 1 July 2024 to account for the increase to SG, the concessional contribution cap and the maximum earnings base.

Concessional Contribution Splitting

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 Superannuation

Non-concessional contributions (NCCs), unlike concessional contributions, 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 2023/24 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 $1.9 million as at 30 June 2023.

Additional rules apply where the total super balance exceeds $1.68 million at 30 June 2023.

With the limit for non-concessional contributions increasing from 1 July 2024, you can maximise the amount of non-concessional contributions you make to super by delaying the triggering of the bring forward rule. The annual non-concessional contribution cap will increase to $120,000 from 1 July 2024, or up to $360,000 where the 'bring forward provisions' are utilised. Contributing up to the maximum annual amount of $110,000 before 30 June 2024 and triggering the bring forward provision from 1 July 2024, will allow you to benefit from the higher bring-forward cap. Importantly, if you trigger the bring-forward provisions this financial year, you do not gain access to the increased non-concessional contribution cap in the 2024/25 financial year.

Other Super 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 2023/24, the maximum co-contribution is available when contributing $1,000 and earnings are $43,445 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 $43,445 (before entirely phasing out at $58,446).

Superannuation Pensions

The EOFY is also a good opportunity to review when 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%.

Minimum Superannuation Pension Withdrawals

For those who are already in pension phase, the Government sets pension standards requiring 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.

If commencing an account-based pension from 1 June to 30 June, the minimum annual payment for that financial year does not need to be made.

Member Age (1st July)	Minimum Percentage
Under 65	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95 or more	14%

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

Portfolio Review and Capital Gains

As June 30 gets closer, it is time to turn some attention towards capital gains tax (CGT). The date of the contract – whether for a purchase or sale – determines the timing of CGT. Therefore, there may be an opportunity to clear out the 'underperformers' and utilise capital losses to offset capital gains in other areas of the portfolio before the end of the year.

Another strategy to consider is deferring the sale of assets that would give rise to a capital gain until a future financial year. This could also reduce the capital gains tax payable if your taxable income is

going to be sufficiently lower and/or you qualify for the general 50% discount by extending the ownership beyond 12 months.

Pay Expenses & Manage Tax

Pre-paying investment interest may enable you to bring forward deductions into the current financial year. The pre-payment locks in the interest rate and may restrict the ability to repay the income-producing loan. If you expect your marginal tax rate to reduce from 1 July 2024 as a result of the Stage 3 tax cuts, bringing forward the deduction to the current financial year could provide greater benefits.

Other deductible expenses can include charitable donations and income protection insurance.

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