Topping up super with 'catch-up' contributions

Smart super strategies for EOFY

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If you have not fully used your concessional cap in a prior financial year, you may be eligible to use these unused carried forward amounts in a later year.

Depending on your circumstances, this could help you to maximise tax-effective super contributions and invest more for retirement.

How does the strategy work?

Since 1 July 2018, if your concessional contributions (CCs) in a financial year are below the annual CC cap, you're able to accrue these unused amounts and carry them forward for up to five years. If you meet certain eligibility rules, you'll be able to make larger CCs in a later financial year.

This may give you greater flexibility to make larger CCs when your circumstances allow.

This may be helpful if, for example, you have irregular employment income or have had time out of the workforce.

What's the benefit?

The amount you contribute will generally be taxed at the concessional rate of up to 15%[1].

Once contributed, any earnings will also be taxed at a concessional rate, rather than your marginal rate, which could be up to 47%[2].

Depending on your circumstances, this strategy could result in a tax saving of up to 32% and enable you to increase your super.

Key conditions

To be eligible to utilise your carried forward CCs by making a catch-up contribution you must:

- have a 'total superannuation balance'[3] below $500,000 on the prior 30 June
- be under 75 and meet the work test rules (or be eligible to apply the work test exemption) if you're aged 67 to 74, and
- have unused CC cap amounts accrued from one of the five prior financial years (but not before FY 2018/19)

Accruing unused CC cap amounts

The first financial year you could accrue unused CCs was in FY 2018/19. This means that the first year you were able to use these carried forward CCs was in FY 2019/20. Unused CCs amounts can be carried forward for up to five years before they expire.

Seek advice

They can also help you to work out what your available carried forward CC balance is and how much you're eligible to contribute. Additional tax and other penalties may apply if you make contributions that exceed your available cap.

To work out your carried forward amounts, you need to confirm the total amount of CCs you have made in each financial year since 1 July 2018. You can access information about your contributions by logging on to **my.gov.au**. Information displayed might not be up to date, so it is also important to keep accurate contributions records and enquire directly with your super fund before contributing.

[1] Individuals with income from certain sources above $250,000 in FY 2020/21 will pay an additional 15% tax on salary sacrifice, personal deductible contributions and other CCs within the cap.

[2] Includes Medicare levy.

[3] Your 'total superannuation balance' includes all of your super accumulation interests and amounts held in superannuation income stream products. For more information, visit **ato.gov.au**, and check your total super balance by logging into **my.gov.au**.

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Case study

In FY 2018/19, Fatima made total CCs of $15,000, which was $10,000 less than the annual CC cap of $25,000.

Fatima took 12 months maternity leave from 1 July 2019 and didn’t make any CCs in FY 2019/20.

From 1 July 2020, Fatima returned to fulltime work where her employer contributions (CCs) will again total $15,000. This is $10,000 less than the annual cap that applies in this financial year ($25,000).

Fatima receives an inheritance in FY 2020/21 and she wants to contribute an additional $35,000 to super and claim a tax deduction.

The table below shows how she can carry forward unused CCs to make catch up contributions in a later year.

Financial year	Annual CC cap amount	Total CC cap including any carried forward CCs	CCs made	Unused CCs that may be carried forward
2018/19	$25,000	$25,000	$15,000	$10,000
2019/20	$25,000	$35,000	Nil	$35,000
2020/21	$25,000	$60,000	$50,000	$10,000
2021/22	$27,500[4]	$37,500	Not yet known	–

[4] The CC cap may be indexed at the start of each financial year and will increase to $27,500 in FY 2021/22.

Other key considerations

- It’s important to check your total CCs for the financial year from all sources before adjusting your contribution strategy. CCs include:
  - contributions made for you by your employer
  - salary sacrifice contributions, and
  - personal contributions that you claim a tax deduction for.
- Salary sacrificing may reduce other benefits such as leave loading and holiday pay.
- For personal deductible contributions, you need to lodge a ‘Notice of Intent’ form and receive an acknowledgement from the super fund before certain timeframes, and also before starting a pension, withdrawal or rollover.
- If you are not eligible to make catch-up CCs, tax penalties apply if you exceed the annual CC cap of $25,000 in FY 2020/21.
- You can’t access super until you meet certain conditions.

A161725-0421