CARRY FORWARD CONTRIBUTIONS - MAKE UP FOR LOST TIME!

Carry-forward contributions were first announced in the 2016-17 Federal Budget and took effect from 1 July 2018. The rule allows members to carry forward their unused concessional contribution cap amounts to future years, over a rolling five-year basis including when the member was not a member of a superannuation fund.

Initially designed for individuals who take breaks from work, work part-time, or have irregular income, the carry-forward concessional contribution strategy, previously called catch-up contributions, has become the favoured strategy to reduce taxable income when selling a significant capital asset.

However, there's a catch – for individuals to utilise this strategy, their total superannuation balance must be less than $500,000 as of the previous 30 June.

How does it work?

Let's look at an example. Mark works full-time and receives annual super guarantee (SG) contributions of $8,500. In the 2018/2019 financial year, he took an extended holiday and made no contributions. The table below illustrates his contributions and unused concessional cap over a rolling five-year period.

As shown, Mark's unused concessional cap accumulates over the years. Therefore, Mark can boost his superannuation savings by making a tax-deductible contribution of up to $96,000 in the 2023-2024 financial year, in addition to the annual cap of $27,500.

Things to consider

The eligibility to utilise the catch-up concessional cap rules will depend on the member's balance as of 30 June in the previous year. Members with a balance of around $500,000 may see fluctuations in their carry-forward balance from year to year due to market volatility. Therefore, it is important to double-check before making additional concessional contributions to avoid potential breaches.

While the strategy can help reduce or eliminate potential capital gains tax on the sale of investment assets, it's important to remember that a 15% tax applies on entry into superannuation, or 30% for high-income earners subject to Division 293 tax.

Additionally, any unused cap not utilised within the relevant five years will be lost. In Mark's case, he must use his remaining cap of $25,000 from 2018/19 by 2023/24 or lose it.

Final note

Planning is the key to success. Whether selling large assets, receiving an inheritance, or having surplus cash, utilising the carry-forward contribution rule can help you build your superannuation more tax-effectively. Reach out to your Bell Potter adviser to discuss this in more detail.

Jeremy Tyzack

Head of Technical Financial Advice
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Concessional Contribution Example

Year	2018/19	2019/20	2020/21	2021/22	2022/23
Concessional contributions	$0	$8,500	$8,500	$8,500	$8,500
Concessional cap	$25,000	$25,000	$25,000	$27,500	$27,500
Unused cap	$25,000	$16,500	$16,500	$19,000	$19,000
Progressive total	**$25,000**	**$41,500**	**$58,000**	**$77,000**	**$96,000**

Bell Potter's technical financial advice team can put together a strategy designed to help you achieve your retirement objectives.

Working with you and your Bell Potter Adviser, we can help with most financial aspects of retirement, including:

- Identifying your financial goals
- Structuring your existing assets appropriately
- Identifying your approach to investment and your appetite for risk, and
- Reviewing your current superannuation arrangements.

To create a tailored investment plan based on your needs and objectives call your adviser or 1300 0 BELLS (1300 0 23357).

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