

WHAT TO EXPECT FROM 2024

As a new year unfolds, it brings new uncertainties. While we can't plan for the unknowns, we anticipate that two primary changes will lead to financial advice strategies throughout the year – the potential indexation of concessional and non-concessional contribution caps and revisions to stage 3 tax cuts. Both changes provide opportunities for wealth creation that clients should consider.

Contribution cap indexation

Based on the December 2023 quarter CPI figures, the general transfer balance cap (TBC) is expected to remain at \$1.9m for the 2024-2025 financial year. However, the long-standing \$27,500 concessional cap will likely increase from 1 July 2024. Indexed to the average weekly ordinary time earnings (AWOTE) in \$2,500 increments, the cap is set to reach \$30,000 p.a. for the 2024-2025 financial year if the expected AWOTE figures are released later this month.

Unlike the concessional cap, the non-concessional cap is not individually indexed and is four times the concessional cap. Therefore, due to the AWOTE-led indexation, the non-concessional cap will increase from \$110,000 to \$120,000 p.a. This adjustment extends to the three-year bring forward rule, enabling eligible members to contribute up to \$360,000.

Revisions to stage 3 tax cuts

The previous Government implemented stages 1 and 2 of the personal tax reform plan, benefiting low and middle-income earners. Stage 3 targeted individuals earning over \$45,000, with higher incomes seeing the most savings.

The Labor Government recently proposed changes to the already legislated stage 3 cuts. The goal is to provide additional tax cuts to low and middle-income earners and reduce the benefits for individuals earning over \$150,000.

If the change is legislated, the simplification and flattening of the marginal tax rates will no longer apply. Instead, the five bands will continue with a few adjustments. The current Coalition stage 3 and proposed Labor stage 3 plans are as follows:

CURRENT		COALITION STAGE 3		LABOR STAGE 3	
Taxable income	Tax rate	Taxable income	Tax rate	Taxable income	Tax rate
\$0 - \$18,200	0c	\$0 - \$18,200	0c	\$0 - \$18,200	0c
\$18,201 - \$45,000	19c	\$18,201 - \$45,000	19c	\$18,201 - \$45,000	16c
\$45,001 - \$120,000	32.5c	\$45,001 - \$200,000	30c	\$45,001 - \$135,000	30c
\$120,000 - \$180,000	37c			\$135,000 - \$190,000	37c
\$180,001 +	45c	\$200,001 +	45c	\$190,001 +	45c

For example, if an individual earns \$200,000 or more, they would receive an additional \$9,075 with the current tax cuts, but under the Labor amendment, it would halve to \$4,529. Alternatively, if an individual earns \$100,000, their savings would increase from \$1,375 to \$2,179.

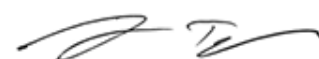
Strategies to consider

While Labor proposes a less significant change than the legislated cuts, an individual's tax rate this year will still be higher than next year. Clients should consider strategies to bring forward deductions into the higher tax year, such as carrying forward unused concessional contributions, using SMSF reserving strategies, and bringing forward non-super related tax deductions. If possible, they should consider deferring income into the next financial year by delaying retirement to receive unused leave entitlements next year and postponing a capital gains tax (CGT) event.

From 1 July 2024, clients should also consider the disposable income resulting from tax savings. They can prioritise using these funds for paying off non-deductible debt and making additional concessional contributions.

Next steps

If you're interested in exploring this topic in more detail, contact your Bell Potter adviser, and they can connect you with our Technical Financial Advice team.



Jeremy Tyzack

Head of Technical Financial Advice
Bell Potter Securities

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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