



Monthly Information Newsletter – Tax & Super

February 2022

Topping up your concessional contributions

Thinking about making up for lost time and making extra contributions to top up your super? The good news is that the “catch-up” concessional contribution (CC) rules can help individuals who feel they have missed out on building their retirement savings to make extra before-tax contributions.

Remember, CCs can include super guarantee contributions from your employer, salary sacrificed amounts and tax-deductible personal contributions.

What are catch-up CCs?

You can carry forward any unused CC cap amounts that have accrued since 2018/19 for up to five financial years and use them to make CCs in excess of the general annual CC cap (currently \$27,500 in 2021/22).

You can then make a CC using the unused carry forward amounts provided your total super balance at the end of the previous financial year is below \$500,000.

Once you start to use some of your unused cap amounts, the rules operate on a first-in first-out basis. That is, any unused cap amounts are applied to increase your CC cap in order from the earliest year to the most recent year. So, when you use some of your unused cap from prior years, the unused cap from the earliest of the five-year period is used first.

And remember, if you don't use your accrued carry forward amounts after five years, your unused cap amounts will expire. So, it's best to use it before you lose it!

Example: Stephanie's accrued unused cap amount over three years

During 2018/19, Stephanie's employer made super guarantee contributions of \$10,000 into her super fund. No other CCs were made that year.

As a result, Stephanie has an unused cap amount for 2018/19 of \$15,000 (\$25,000 – \$10,000).

Assuming Stephanie accrued unused cap amounts of \$15,000 three years in a row (i.e., for 2018/19, 2019/20 and 2020/21), she could make CCs in 2021/22 of up to \$72,500 (\$45,000 unused cap amounts + \$27,500 annual cap for 2021/22) without exceeding her CC cap.

	2018/19	2019/20	2020/21	2021/22
<i>CC cap</i>	\$25,000	\$25,000	\$25,000	\$27,500
<i>CCs made</i>	\$10,000	\$10,000	\$10,000	\$72,500
<i>Unused CC cap</i>	\$15,000	\$15,000	\$15,000	\$0
<i>Unused CC cap amount used</i>	N/A	N/A	N/A	\$45,000
<i>Cumulative unused CC cap amount remaining at year end</i>	\$15,000	\$30,000	\$45,000	\$0

Note, for Stephanie to utilise her unused cap amounts, her total super balance at 30 June 2021 must be below \$500,000.

Who can benefit from catch-up contributions?

Catch-up contributions may assist individuals who:

- Previously couldn't afford to make additional contributions
- Have spent time out of the workforce to study, look after children or elderly family members
- Work part-time or are casual employees
- Have interrupted or non-standard work patterns (i.e., self-employed people)
- Dispose of an asset and want to reduce their tax and further maximise their contributions to super
- Receive a windfall/inheritance and want to contribute the funds to super.

If you finally have capacity to make extra contributions and want to build your super, utilising the catch-up CC rules can allow you to make up for lost time and be an easy way boost your super for retirement.

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