

Increased superannuation contribution caps from 1 July 2021

From 1 July 2021, the concessional and non-concessional contributions caps are set to increase due to indexation:

Concessional cap	Non-concessional cap	
\$27,500 p.a.	General cap	\$110,000 p.a.
	Maximum amount under bring forward rule ¹	\$110,000 p.a.

As part of this indexation, the general Transfer Balance Cap will increase from \$1.6 million to \$1.7 million.

Some common questions regarding how indexation will impact super is addressed below.

Does this affect my ability to make non-concessional contributions from 1 July 2021?

Non-concessional contributions are personal contributions made into super sourced from after tax income e.g. using your personal savings to contribute.

To be eligible to make a non-concessional contribution, you must be under 67 or have satisfied the work test at the time when contribution is made. Your available non-concessional cap depends on your total superannuation balance as noted below.

Total superannuation balance on 30 June 2021 ³	Contribution and bring forward rule available
Less than \$1.48 million	Access to \$330,000 (cap over three years)
Greater than or equal to \$1.48 million and less than \$1.59 million	Access to \$220,000 (cap over two years)
Greater than or equal to \$1.59 million and less than \$1.7 million	Access to \$110,000 cap (general non-concessional cap applies, no bring forward rule)
Greater than or equal to \$1.7 million	Nil

The bring-forward rule allows those under age 65 (who are not already in an existing bring forward period) to make up to three financial years' worth of non-concessional contributions to their super in a single income year without incurring excess contributions tax (currently 47%). Essentially, the rule allows you to 'bring forward' your next two years of non-concessional contributions general cap into the current financial year.

If you are not eligible to access the bring-forward rule, you may only make a non-concessional contribution of up to \$100,000 if your total super balance on 30 June 2021 was less than \$1.7 million.

There is a proposal currently before parliament to allow members aged 65 and 66 to use the bring forward rule. If legislated, members under age 67 may access the bring forward rule.

I have previously triggered the bring forward rule and am still in a bring-forward period, am I able to make additional non-concessional contributions due to this indexation?

No – as you have previously triggered the non-concessional contribution bring-forward rule and are still in a bring forward period, the total amount of non-concessional cap you have brought forward remains \$300,000. You will not benefit from the increase in the non-concessional cap until the bring-forward period expires.

For example, if you triggered the bring-forward rule in 2020–21 your bring forward period expires at the end of the 2022–23 financial year.

How does the general transfer balance cap indexation affect my super?

The transfer balance cap places a lifetime limit on the amount of super you can transfer into retirement phase income streams, including pensions and annuities. When the general transfer balance cap indexes, it may alter the amount of super you can transfer into retirement phase income streams accordingly.

¹ Assumes member under age 65 at some time during year contribution made and that their total super balance was less than \$1.48m as at 30 June 2021.

² To satisfy the work test, you must work at least 40 hours during a consecutive 30 day period each income year in order for your fund to accept a personal super contribution (subject to work test exemption).

³ \$1.48m threshold equal to general transfer balance cap less 2 times the general non-concessional cap (\$1.7M - \$220,000 = \$1.48m) . \$1.59m threshold equal to general transfer balance cap less the standard non-concessional cap (\$1.7M - \$110,000 = \$1.59m) . \$1.7m threshold equals general transfer balance cap.

Fact sheet: Increased superannuation contribution caps from 1 July 2021

As you transact on your super by commencing/commuting retirement phase income streams, events that count towards your transfer balance cap are recorded against a transfer balance account. Essentially, a record of credits and debits. If you had a transfer balance account before 1 July 2021, your transfer balance cap will be:

- \$1.6 million if, at any time between 1 July 2017 and 30 June 2021, the balance of that account was \$1.6 million or more
- between \$1.6 and \$1.7 million in all other cases, based on the highest ever balance of your transfer balance account.

If you commence a retirement phase income stream and start a transfer balance account after 1 July 2021, your transfer balance cap will be \$1.7 million.

If at any time your transfer balance account exceeds your transfer balance cap, you may incur excess transfer balance tax and any excess amount will need to be removed from the retirement phase.

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