

# Concessional Contribution Carry Forward

One of an extensive range of superannuation reforms the Federal Government announced in its 2016 Budget relates to the opportunity for eligible people to carry forward the unused portion of their concessional contribution cap. Now legislated, this initiative commenced from 1 July 2018.

## What is a concessional contribution?

Concessional contributions comprise of:

- Contributions made by an employer on behalf of their employees to fulfil their Superannuation Guarantee obligations,
- Contributions made under an effective salary sacrifice agreement between an employee and their employer,
- Other discretionary contributions made by an employer.
- Personal contributions made by an individual where a personal tax deduction is to be claimed, and
- Contributions made by third parties, such as contributions made by a parent for their adult children.
- Concessional contributions can be made for or on behalf of a person under age 65 regardless of whether they work or not.

## Concessional contribution cap

From 1 July 2017, the maximum concessional contributions that could be made to superannuation in any one financial year was limited to a maximum of \$25,000. This is referred to as the concessional contribution cap.

The cap will increase in the future in line with movements in Average Weekly Ordinary Time Earnings, in increments of \$2,500. This means, it may be some year before the concessional contribution cap is increased to \$27,500.

## Total Superannuation Balance

To be eligible to carry forward the unused portion of the concessional contribution cap, a person must have a total superannuation balance of less than \$500,000. The total superannuation balance is the total of all the money a person has in the superannuation system as at the previous 30 June.

When calculating the total superannuation balance all amounts held in superannuation accumulation accounts, the balance of any accounts paying a pension, and amounts being transferred between superannuation, are included.

For example, a person with \$200,000 in a superannuation accumulation account and a pension account balance of \$250,000, as at the previous 30 June, will have a total superannuation balance of \$450,000.

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## How the carry-forward opportunity works

Any unused concessional contribution cap that accrues from 1 July 2018 may be carried forward for a period of up to five years.

If the concessional contribution cap was not fully utilised in any financial year before 1 July 2018, the unused portion cannot be carried forward.

### Example

Elaine has a total superannuation balance of less than \$500,000 as at 30 June 2018.

Her employer makes concessional contributions of \$8,000 in the 2018-19 financial year. She also makes a personal tax deductible contribution of \$2,000, bringing her concessional contributions for the year to \$10,000.

Elaine's unused concessional contribution cap is \$15,000 (i.e. \$25,000, less \$10,000).

She can carry the unused portion of her concessional contribution cap forward for up to 5 years.

This means that in 2019-20, the maximum amount of concessional contributions that could be made, provided her total superannuation balance as at 30 June 2019 was less than \$500,000 is \$40,000 (the standard \$25,000 concessional contribution cap, plus \$15,000 carried forward from 2018-19).

The following table illustrates the application of the carry-forward opportunity:

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
<b>CC Cap*</b>	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
<b>CCs Made</b>	\$10,000	\$10,000	\$0	\$35,000	\$25,000	\$25,000	\$28,000
<b>Unused cap</b>	\$15,000	\$15,000	\$25,000	\$0	\$0	\$0	\$0
<b>C/F applied</b>	N/A	\$0	\$0	\$10,000	\$0	\$0	\$3,000
<b>Unused C/F</b>	\$15,000	\$30,000	\$55,000	\$45,000	\$45,000	\$45,000	\$37,000**

\* Indexation of the concessional contribution cap has been ignored

\*\* Remaining unused cap from 2018-19 of \$5,000 has dropped off – 5 years have elapsed.