



Unused Concessional Contributions Cap Carry Forward

The standard concessional contribution cap, the limit for concessional employer and personal deductible contributions. It is subject to indexation, based on Average Weekly Ordinary Times Earnings (AWOTE), which results in future increments of \$2,500. From 1 July 2024 the concessional contribution cap increased to \$30,000.

Restricting limits on the contributions that can be made to super can make it difficult for people who take time out from the workforce or work part time over a period to be able to save for retirement. Common examples of where individuals take time out of the workforce include to care for young children or other family members.

In these and other circumstances, individuals may not be making any contributions or very little will be contributed over a significant time period. When they return to employment or their situation changes, they may be in a position where they would like to try and catch up financially on the contributions they missed, and they may have funds available to make a larger contribution than normally allowable under the ordinary concessional contributions cap.

Similarly, some individuals may encounter financial windfalls, such as gains on personal investments, where they have the capacity to contribute extra funds or would like to look at ways of reducing their taxable income for an irregular income year.

What is the carry forward concessional contributions cap measure?

At 1 July 2018 the ability to carry forward the unused portion of prior year concessional contributions cap was introduced to help deal with the issues created by individuals changing their working habits and to maximise the use of unused caps for those with lower superannuation balances.

The rules state that where an individual's Total Superannuation Balance is less than \$500,000 as at 30th June of the previous financial year, they may be able to use this measure. This enables an individual to contribute more than the standard concessional contributions cap by carrying forward the unused contributions cap from prior years. Unused concessional contributions are available on a rolling basis and can be carried forward for a maximum of 5 years after which time they will drop off. For example, a 2019/20 unused cap that is not used by the end of 2024/25 financial year will expire.

As the measure was introduced from 1 July 2018 it means that 2019/20 was the first financial year this unused cap space could actually be used.

How does the five year carry forward work in practice?

As mentioned previously the cap is indexed from 1 July 2024, as such, we have assumed in the example below that the concessional contribution cap remains at \$30,000, for the foreseeable future. Any further indexation that does occur will just provide a greater available amount.

Example

Facts

- Member is 35 years old and took time out from the workforce from 1 July 2020 to care for two young children.
- Returned to work in a part time capacity from 1 July 2023.
- In August 2024 sells some personally held shares with a capital gain and wants to make use of some of the unused caps to boost their super given they missed out on contributing whilst they were not working and also offset the tax on the sale of the shares.

How does the carry forward arrangement apply to the caps in this example over a 5 year period?

Financial Year	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Cap	25000	27500	27500	27500	30000	30000
Actual Contribution			10000	45000	10000	10000
Unused Cap for year	25000	27500	17500		20000	20000
Cumulative Carry Forward	25000	52500	70000	52500	72500	92500
Total Superannuation Balance at 30 June prior year	405000	415000	440000	465000	510000	485000

From the above example we can see that they were under the \$500,000 total superannuation balance limit at 30 June 2023 and therefore eligible to carry forward their unused cap to make a larger contribution. As the balance is over \$500,000 at 30 June 2025 the measure is not available in the 2025/26 year but that doesn't reset the start of the 5-year rolling period, it just means it is unavailable at that point in time. As the balance drops again in the following year the measure would be available in 2026/27.

The unused cap space is used in order of earliest financial year to most recent financial year. Therefore, from the above example the unused cap from 2020/21 will expire at the end of the 2025/26, as only \$15,000 of the \$25,000 cap was used in 2023/24, the \$10,000 unused balance will expire. The unused cap space from 2021/22 will expire on 2026/27 if not used.

Conclusion

Maximising opportunities for contributions are essential for individuals who take time out from the work force for various reasons. In order to not be financially disadvantaged for retirement income purposes, any opportunity should be considered where possible. The ability to carry forward unused caps over a rolling 5-year period is one way that people can stay on target when they have additional funds available. Of course, there is the additional bonus that any extra contribution can also be used to offset personal tax liability.

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