Superannuation – Non-concessional contributions

Making non-concessional (after tax) contributions into superannuation may help to increase your retirement savings and your tax-free component.

How it works

To be eligible to make non-concessional contributions to superannuation, you must meet the contribution rules. This means you need to be under age 75. However, contributions must generally be accepted no later than 28 days after the month in which you turn 75.

Non-concessional contributions are made from after-tax income and may include:

- personal contributions where you have not claimed an income tax deduction
- after-tax salary that you have requested your employer to direct into superannuation on your behalf
- spouse contributions
- contributions in excess of your capital gains tax (CGT) cap from business assets
- most transfers from foreign superannuation funds.

Non-concessional contributions (NCC) do not include superannuation guarantee (SG) contributions, salary sacrifice or certain contributions resulting from personal injury payments. However, excess concessional contributions that you elect to retain in superannuation will count against your NCC cap.

Non-concessional contributions form part of the tax-free component of your superannuation account, which is tax-free when withdrawn from super, even whilst you are under age 60 (subject to meeting preservation rules).

Non-concessional contribution caps

There is a cap on how much you can contribute as a non-concessional contribution each year. The non-concessional contribution cap for 2023/24 is $110,000.

If you are under age 75 on the 1st of July, you may be able to bring forward up to an additional two years of non-concessional contributions, enabling you to make a larger contribution sooner. Eligibility will be based on your total super balance and other requirements. This is complex and you should seek further advice to determine how this applies to you.

If you are eligible and make the maximum bring forward contribution in a single year, for example, you're not eligible to make any further non-concessional contributions for the duration of your bring-forward period. However, if you trigger the bring forward rule in a year, but don't fully utilise the maximum available non-concessional cap in that year, the remaining balance may be contributed in either the next financial year, or the year after.

Once you trigger the bring-forward rule, within your two or three year bring-forward period, to make any further contributions, you must continue to be eligible to contribute to superannuation and your total superannuation balance will need to stay below the 'general transfer balance cap' ($1.9m in 2023/24 and may be indexed in the future) each 30 June to entitle you to make any additional contributions in a later year. Other eligibility requirements (such as age requirements) must also be satisfied.

If you exceed your NCC cap, the excess contribution may be withdrawn from superannuation, along with any associated earnings, if you make an election to withdraw or no election is made within 60 days of the excess being determined by the Australian Taxation Office (ATO). The associated earnings will be included in your assessable income and taxed at your marginal tax rate. If you make an election to not withdraw the excess and associated earnings within the 60 day period, the excess contribution will be taxed at 47%.

Benefits

The benefits of making non-concessional contributions to superannuation may include:

- Investing in superannuation helps boost your savings to help you meet your retirement goals.
- The rate of return inside superannuation may be higher after-tax than investing outside superannuation. This is because earnings inside superannuation are taxed at a maximum rate of just 15%, whereas earnings from non-superannuation investments are generally taxed at your marginal tax rate. This may help your savings to grow faster.
- Your tax-free component will increase. This amount can be withdrawn tax-free (subject to preservation rules which limit how and when you can access your super savings).
- The tax-free component is tax free if paid as a lump sum death benefit to any of your dependants (even adult children). This may increase the amount payable to your family or estate.
- Depending on your income for the year and satisfying eligibility requirements, the Government may contribute $0.50 for every $1.00 of non-concessional contributions you make, up to a maximum of $500, known as the Government co-contribution.
- Centrelink/Department of Veterans' Affairs entitlements may increase if you are under Age Pension age (or under age 60 if a veteran) due to exemptions on the assessment of superannuation.

Risks, consequences and other important things to consider

These include:

- All contributions to superannuation are preserved (i.e. cannot be accessed) until you meet a condition of release, such as retirement. You need to be sure that you do not need access to the amount contributed until you meet a condition of release.
- If you exceed your NCC cap significant tax penalties may apply.
- Excess concessional contributions that you elect to retain in super count towards your NCC cap which may reduce your capacity to make additional NCCs.
- You will not be eligible to make non-concessional contributions if your total superannuation savings equals or exceeds the general transfer balance cap of $1.9 million (current for 2023/24) or more as at 30 June of the previous year. Total superannuation savings include your accumulation accounts, retirement income streams, in transit rollovers and may also include certain limited recourse borrowing arrangements in self-managed superannuation funds.

- Fees may be charged for your superannuation contributions. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.
- The Government may change superannuation legislation in the future.

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