2024 EOFY strategies and resources

MLC TechConnect

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2024 EOFY strategies and resources

14 March 2024

As we approach the end-of-financial-year (EOFY), now is a great time to talk to clients about ways to manage tax, maximise super and optimise super income streams.

In this guide, we outline the new and core opportunities and considerations to discuss with your clients in the lead up to 30 June and beyond (see full list in the contents page). We also provide links to other resources available to support you this EOFY, in the body of this guide and in Appendix 1.

Note: Clients making additional super contribution this financial year must do so before 30 June 2024 to ensure they count towards the 2023/24 caps (see Appendix 2).

New considerations for this EOFY

This section outlines key EOFY considerations that are triggered by recent or prospective changes. Key advice considerations that apply each EOFY, can be found on pages 6 and 7.

Benefit from greater tax savings by making CCs before 30/6/2024

Making voluntary concessional contributions (CCs) may provide a greater tax benefit if made before the Stage 3 tax cuts commence on 1 July this year. This is because marginal tax rates for most income brackets will be lower in 2024/25, reducing the tax benefit that may be derived from making a personal deductible super contribution or contributing pre-tax salary into super.

The table below illustrates the additional tax savings available for clients at different income levels by making CCs of $10,000 in this financial year. These figures assume taxable income is unchanged in 2024/25 and the client doesn't fall in to a lower tax bracket as a result of making the CCs.

Taxable incomes greater than	Marginal rate in 2023/24	Net tax saving on $10,000 CC	Marginal rate from 1/7/2024	Net tax savings on $10,000 CC	Additional tax saving by making CC in 2023/24
$80,000	34.5%	$1,950	32.0%	$1,700	$250
$135,000	39.0%	$2,400	32.0%	$1,700	$700
$160,000	39.0%	$2,400	39.0%	$2,400	$0
$190,000	47.0%	$3,200	39.0%	$2,400	$800

More resources

- Revised tax cuts: action advisers need to take (adviser article)
- Changes to tax cuts from 1 July (client article)
- More adviser and client articles

Use unused CC cap from 2018/19 before 30/6/2024

Clients may be able to make CCs exceeding the annual cap ($27,500 in 2023/24) under the 'catch-up rules' if they:

- had a total super balance (TSB) of less than $500,000 on 30 June 2023, and
- have unused CCs from the previous five financial years.

Clients must exceed the annual CC cap to utilise their unused CC amounts, and amounts are deducted from the earliest available financial year to the latest.

Catch-up CCs can help clients to:

- maximise tax-effective super contributions
- make-up for when they were unable to contribute (eg because they were out of the workforce), and
- manage tax (eg where they receive a taxable redundancy payment or realise a taxable capital gain).

Making catch-up CCs in 2023/24 may help clients use up unused CC cap amounts from 2018/19. These amounts will expire if not used by 30 June 2024, because unused cap amounts expire after five years. Also, 2023/24 may be the last time clients can take advantage of catch-up CCs if their TSB will be $500,000 or more on 30 June 2024.

More resources

- **TSB fundamentals and impact on contributions** (adviser article)
- **Catch-up CC strategies** (adviser article)
- **Don't miss out on carry-forward CCs** (adviser article)
- **How to track total super balance** (client article)
- **How to monitor carried forward CCs** (client article)
- **Top up super with 'catch up' contributions** (client article)
- **More adviser and client articles**

Benefit from higher contribution caps from 1/7/2024

The key super contribution caps will increase from 1 July 2024 as summarised in the table below. This may allow clients to contribute more in 2024/25. Key contribution opportunities are explained further on pages 8 and 9 of this guide.

Cap	2023/24	2024/25
Annual CC	$27,500	$30,000
Max. five-year carry-forward CC	$130,000	$132,500
Annual NCC	$110,000	$120,000
Max. under three-year NCC bring-forward	$330,000	$360,000

More resources

- **Contribution caps from 1 July 2024 confirmed – advice considerations** (adviser article)
- **More adviser and client articles**

Use Stage 3 tax cut savings to boost super from 1/7/2024

The Stage 3 tax cuts may provide clients with more cashflow to make additional super contributions from 1 July 2024. The table below shows the tax savings that may be made in 2024/25 for a range of taxable incomes. Key opportunities to contribute more to super are explained on pages 8 and 9 of this guide.

Taxable income	Tax liability in 2023/24	Tax liability under from 1 July 2024	Tax saving
$40,000	$4,367	$3,713	$654
$80,000	$18,067	$16,388	$1,679
$120,000	$31,867	$29,188	$2,679
$160,000	$47,467	$43,738	$3,729
$200,000	$64,667	$60,138	$4,529

Note: Calculations take into account the Low income tax offset and Medicare Levy.

Source: The Government's factsheet Tax cuts to help Australians with the cost of living

More resources

- Revised tax cuts: action advisers need to take (adviser article)
- Changes to tax cuts from 1 July (client article)
- More adviser and client articles

Consider SG increase from 1/7/2024

The Superannuation Guarantee (SG) contribution rate will increase to 11.5% from 1 July 2024 (and to 12% on 1 July 2025).

While most employees will receive additional SG contributions, those under a 'total employment cost' arrangement may have their cash salary reduced to offset the increase in SG payments.

Small business owners should review their systems to ensure they are meeting their obligations to their employees based on the increased rate.

Clients with existing salary sacrifice arrangements at 1 July 2024 should review the amount sacrificed and their salary sacrifice agreement, to take in to account the increased SG rate and increased CC cap.

More resources

- Guide to SG (adviser article)
- Salary sacrifice vs PDCs (adviser article)
- Sacrifice pre-tax salary into super (client article)
- More adviser and client articles

Key super advice considerations

Check 30/6/2023 TSB to determine 2023/24 contribution eligibility

When evaluating super contribution opportunities for your clients this EOFY, it's important to identify their TSB on 30 June 2023. This will determine their eligibility to make certain super contributions this financial year, regardless of whether their account balance may have increased since then.

Key contributions impacted by TSB include:

- **NCCs**
- **spouse contributions**
- **Government co-contributions**, and
- **catch-up CCs**.

More resources

- **TSB fundamentals and impact on contributions** (adviser article)
- **How to track total super balance** (client article)
- **More adviser and client articles**

Consider impact of additional contributions on future advice opportunities

Consider impact on 30/6/2024 TSB

Many contributions have a TSB eligibility threshold. Clients who want to make certain contributions in 2024/25 and beyond may need to manage their 30 June 2024 TSB to maintain eligibility. This may include clients who:

- **Are going to realise a capital gain next financial year**, which could be offset by larger **personal deductible contributions** in 2024/25 under the **catch-up rules** (which requires a prior 30 June TSB of <$500,000).
- **Anticipate relying on the 'work test exemption' to make a PDC in the new financial year**, where a TSB limit of $300,000 would apply. For example, someone who is age 67 and satisfies the work test in the current financial year but receives a redundancy or termination payment after 1 July, may want to make a PDC to help manage tax in the new financial year. However, they would need to apply the work-test exemption to be eligible to make the PDC in the new financial year.

Consider timing of downsizer contributions

While downsizer contributions aren't restricted by TSB, they are included in TSB once they are made. Where the sale proceeds are received close to the end of the financial year, delaying a downsizer contribution until next financial year may help ensure the 30 June 2024 TSB remains below cut-off thresholds required to make certain contributions.

Consider timing when triggering new NCC bring-forward

Clients who are in their final year of eligibility to trigger a new bring-forward (either because of their age or TSB), can maximise their available NCCs by triggering the bring forward immediately. For other clients, delaying the triggering of the bring forward may enable them to **maximise NCCs**.

More resources

- **TSB fundamentals and impact on contributions** (adviser article)
- **NCC advice opportunities** (adviser article)
- **Downsizer contributions** (adviser article)
- **How to track total super balance** (client article)
- **Upsize your retirement savings with downsizer contributions** (client article)
- **More adviser and client articles**

Consider strategies to help manage super balances as a couple

There may be circumstances where members of a couple want to manage their respective super balances. This could include, for example, to:

- enable future contributions to be made where eligibility is impacted by TSB, including large **PDCs** under the **catch-up rules**
- keep super benefits below the general TBC (currently $1.9 million), to maximise the combined amount that can be transferred in to retirement phase pensions
- keep TSB's below $3 million to ensure the proposed additional 15% (Division 296) tax isn't payable on future investment earnings in super
- direct super money to the older member of the couple who can access their benefits and tax concessions earlier
- direct super money to the younger member of the couple to improve social security outcomes (as super benefits aren't assessed under the assets test until age pension age is reached), and
- protect against future legislative risks.

There are a range of strategies that may be used this EOFY and beyond to help manage super balances for couples, including:

- cashing out and re-contributing to the spouse's super account
- **splitting eligible CCs** made or received in 2022/23 with the spouse
- making **spouse contributions**
- allocating downsizer contributions and/or CGT cap contributions under the retirement exemption to the spouse with the lower TSB, and
- holding insurance in the super find of the spouse with the lower TSB.

More resources

- **Recontribution revived** (adviser article)
- **More adviser and client articles**

Manage Div 293 expectations

Some clients may be liable for Div 293 tax for the first time when assessments are issued in the new financial year, because of a redundancy, termination payment or large capital gain in 2023/24. While the tax cannot be avoided, you can manage client's expectations by explaining their payment options and reiterating that contributing to super this financial year and beyond is generally worthwhile.

Div 293 tax is payable where income for this purpose exceeds $250,000. It is incurred on CCs within the person's CC cap. A person's CC cap may be higher where they are eligible to use their **catch-up contributions**, which may mean more Division 293 tax is payable. However, clients who are required to pay Div 293 tax will still pay less tax (in total) on their CCs than the marginal tax rate they pay on taxable income.

More resources

- **Division 293 tax explained** (adviser article)
- **Division 293 tax** (client article)
- **More adviser and client articles**

Core super contribution strategies

Personal deductible contributions

Client may want to make a personal super contribution before 30 June and claim a tax deduction if they:

- want to tax-effectively top up employer SG and salary sacrifice contributions
- terminate employment and receive taxable employment termination payments, or lump sum unused leave entitlements
- receive bonuses, or
- have taxable investment income and taxable capital gains from the sale of CGT assets.

Each of these opportunities may also be enhanced by taking advantage of the catch-up rules.

When making PDCs, it's important that a 'Notice of intent' is lodged:

- within required timeframes and an acknowledgement is received
- before the client lodges their tax return, and
- before rolling over funds, withdrawing lump sums or commencing a pension.

More resources

- Steps to claiming a super deduction (adviser article)
- Salary sacrifice vs PDCs (adviser article)
- Make tax deductible super contributions (client article)
- Steps to claiming a tax deduction for a super contribution (client article)
- More adviser and client articles

Double deductions (SMSFs)

It's sometimes possible for an SMSF member to make a personal contribution, claim the deduction in one financial year and have the contribution counted against the following financial year's concessional contribution cap. Doing this, increases the amount that can be claimed as a deduction in any particular financial year.

Personal contributions made to an SMSF must be allocated to a member's account within 28 days after the end of the month following the contribution. If a contribution is made on 1 June, it must be allocated to a member's account before 28 July. The member may still claim a tax deduction for their personal super contribution in the year it's contributed.

More resources

- PDCs: tips and traps for SMSFs (adviser article)
- More adviser and client articles

Contribution splitting

A client may want to split eligible CCs they made or received in 2022/23 (ie last FY) into their spouse's super account in 2023/24. This could help eligible clients to manage super balances as a couple. The split will need to be completed before 30 June 2024 to reduce the TSB on that date. If PDCs are to be split, the Notice of Intent needs to be submitted and acknowledged by the fund before the contribution splitting application is lodged.

More resources

- Contribution splitting (adviser article)
- Split your super contributions to your spouse (client article)
- More adviser and client articles

Maximising NCCs

On 1 July this year, the:

- annual NCC cap will increase from $110,000 to $120,000, and
- maximum amount that can be contributed via a new three-year bring-forward will increase from $330,000 to $360,000 (**Table 1** in Appendix 3 summarises the TSB thresholds and bring forward caps for 2023/24 and 2024/25).

Here are some key considerations for clients wanting to maximise NCCs in the year(s) ahead.

Complete existing bring forward before 30/6/2024

Clients aged less than 75, who are in a bring-forward period and have remaining NCC bring forward amounts, will be eligible to contribute their remaining cap space in 2023/24, if their TSB was less than $1.9m on 30 June 2023.

Clients who trigger the bring-forward rule and are still in the bring-forward period in FY 2024/25 don't gain access to the increased NCC cap in 2024/25. This is because the maximum NCCs that can be made under a bring forward are determined in the financial year the bring forward is triggered.

Start new bring-forward before 30/6/2024

Clients may want to trigger a bring-forward before 30 June this year if:

- they are not currently in a bring-forward period, and
- 2023/24 is the last financial year they can contribute to super, because of their age and/or TSB.

Start new bring-forward in 2024/25 or beyond

Clients who are eligible to contribute in 2024/25 or beyond and are not currently in a bring-forward period, may be able to maximise NCCs by:

- contributing up to the maximum annual amount before 30 June this year ($110,000), and
- commencing the bring-forward in 2024/25 or thereafter, to benefit from the higher bring-forward caps.

More information on maximising NCCs and different sequencing options can be found in the following resources.

More resources

- **NCC advice opportunities** (adviser article)
- **More adviser and client articles**

Spouse contributions

Clients may be eligible for a tax offset of up to $540 when making super contributions of up to $3,000 into their spouse's super account, if their spouse's income is $37,000 pa or less in 2023/24.

The offset gradually reduces for incomes above $37,000 pa and completely phases out at $40,000 pa or more. The offset also reduces if the spouse contribution is less than $3,000.

Table 2 in Appendix 3 summarises the offset available based on the receiving spouse's income and the amount contributed.

More resources

- **Boost your spouse's super and reduce your tax** (client article)
- **More adviser and client articles**

Government co-contributions

Lower income clients may be eligible for a Government co-contribution of up to $500 if they make NCCs. In 2023/24, the maximum $500 co-contribution is available if they contribute $1,000 and earn $43,445 pa or less. A lower amount may be received if they contribute less than $1,000 and/or earn between $43,445 and $58,445 pa.

Table 3 in Appendix 3 summarises the co-contribution payment that may be available based in a client's assessable income and different contribution amounts.

More resources

- Top-up your super with help from the Government (client article)
- More adviser and client articles

Super income stream considerations

Meet pension minimums (SMFS)

SMSF trustees must make the required minimum pension payments to comply with pension standards. Where the SMSF trustee fails to make a minimum pension payment:

- the pension is deemed to be in accumulation phase for the whole financial year, and
- a debit for the transfer balance account report (TBAR) event arises at the end of the financial year.

Where a member needs more than the required minimum pension drawdown, the amount exceeding the minimum pension drawdown can be paid as a separate lump sum (see below) to create debits in their TBA.

More resources

- ATO: minimum pension standards (ATO website)
- Minimum pension requirements and implications (adviser article)
- More adviser and client articles

Take more than the minimum income as a lump sum

Clients with an account-based pension who wish to withdraw more than the annual minimum payment may want to take lump sum withdrawals, rather than regular pension payments. This is because lump sum withdrawals create a debit to the TBA and therefore reduce the client's TBA balance, whereas regular pension payments have no impact on a client's TBA. Reducing the TBA can enable the client to:

- transfer additional accumulation benefits to a tax-free retirement phase pension, or
- receive a higher amount of a deceased spouse's super death benefit as a death benefit pension in the future.

An election must be made to receive the extra payments as a lump sum before the withdrawals are made, otherwise they will be classified as pension payments. Such elections may be administratively simpler for one-off additional payments, but more complex where a person wants to receive regular pension payments that exceed the minimum required.

Care should be taken to ensure appropriate elections are made. Specialist advice may be needed for SMSFs.

More resources

- Guide to transfer balance cap (adviser article)
- How to monitor the transfer balance account (client article)
- More adviser and client articles

Review TTR pensions

Investment earnings in transition to retirement (TTR) pensions are taxed at up to 15%. If a client retires during the financial year (or meets another full condition of release), they should notify the trustee as a TTR pension can be converted to a tax-free retirement phase pension.

Before the client completes the required trustee notification, it's important to ensure the TTR balance is less than $1.9m in 2023/24, otherwise they will exceed the TBC. Care should also be taken to avoid an excess transfer balance amount prior to the client's 65th birthday, as a TTR pension will automatically enter retirement phase on this date.

More resources

- **Guide to transfer balance cap** (adviser article)
- **How to monitor the transfer balance account** (client article)
- **More adviser and client articles**

Other EOFY strategies

Maximise gifting thresholds

Assets of up to $10,000 per financial year (or $30,000 across a five year rolling period) can be gifted before there is any impact on social security entitlements. Social security clients who want to provide financial assistance to family or friends may be able to contribute $20,000 in a short space of time (ie $10,000 in June and $10,000 in July).

Manage CGT on asset sales

There are a range of strategies that could be used to manage capital gains tax (CGT) that may be payable when disposing of assets. These include:

- deferring the sale until the asset has been held for 12 months to benefit from the 50% CGT discount
- deferring the sale to another financial year if it's expected the client's other taxable income will be lower (which may be the case next financial year if the client's taxable income is within certain bands when the **Stage 3 tax cuts** tax effect on 1 July)
- spreading the sale over several years to smooth out the impact on taxable income in any given year
- selling assets that trigger a capital loss to offset gains made on other assets in the same financial year (while ensuring it's appropriate to sell the asset and that 'wash sales' provisions aren't breached)
- offsetting any realised capital losses against gains from assets not eligible for the 50% discount, and
- making a **personal deductible super contribution** (perhaps by also utilising the **catch-up rules**) to offset some or all of a taxable capital gain from the sale of an asset in the same financial year.

Pre-pay deductible expenses

Pre-paying certain expenses can bring forward the tax deduction and reduce assessable income in 2023/24. Clients who expect their marginal tax rate will reduce from 1 July 2024 when the **Stage 3 tax cuts** take effect could also gain a greater benefit by bringing forward the deduction to 2023/24. Examples of deductible expenses that may be pre-paid include:

- premiums on an income protection policy held outside super
- interest on a fixed rate investment loan
- expenses for a rental property, and
- work related subscriptions.

Defer retirement / redundancy to new financial year

Deferring retirement (or a redundancy where discretion is available) to a new financial year may reduce the amount of tax payable on:

- taxable employment termination payments (ETPs)
- accrued annual leave entitlements
- accrued long service leave entitlements.

Deferring these income sources may be particularly beneficial when the **Stage 3 tax cuts** take effect from 1 July. Some other key things to keep in mind are:

- termination payments must be paid within 12 months of the termination of employment to qualify for concessional tax rates
- tax payable next financial year may be managed by making a **personal deductible super contribution** if eligible
- if preservation age is reached next financial year, a lower concessional tax rate may be payable on ETPs
- the ETP cap will be indexed on 1 July, meaning more ETPs may receive concessional tax treatment.

Appendix 1 – More adviser and client articles

Use these other resources to help you understand key advice opportunities and to educate clients.

Topic	Adviser resources	Client resources
Stage 3 tax cuts	Revised tax cuts: action advisers need to take	Changes to tax cuts from 1 July
Contribution cap increases	Contribution caps from 1 July 2024 confirmed – advice considerations	
Total super balance	TSB fundamentals and impact on contribution eligibility	How to track total super balance
CC eligibility	Guide to CCs	
SG contributions	Guide to SG	
Personal deductible contributions and salary sacrifice	Salary sacrifice vs PDCs Steps to claiming a super deduction PDCs: tips and traps for SMSFs	Make tax deductible super contributions Steps to claiming a super tax deduction Sacrifice pre-tax salary into super
Catch-up CCs	Catch-up CC strategies Don't miss out on carry-forward concessional contributions	How to monitor carried forward CCs Top up super with 'catch up' contributions
Contribution splitting	Contribution splitting	Split your super contributions to your spouse
NCC eligibility	Guide to NCCs NCC advice opportunities Recontribution revived Untangling the bring-forward rule	Accessing NCC information on myGov
Spouse contributions		Boost your spouse's super and reduce your tax
Government co-contributions		Top-up your super with help from the Government
Downsizer contributions	Downsizer contributions Downsizer tips and traps	Upsize your retirement savings with downsizer contributions
Excess contributions and taxation	Top tips to avoid excess contributions	
Div. 293 considerations	Div. 293 tax explained	Division 293 tax – Additional tax on CCs
Transfer balance cap	Guide to transfer balance cap	How to monitor the transfer balance account
Other super	Minimum pension requirements and implications ATO: minimum pension standards	Contribute to super and offset capital gains tax

Appendix 2 – Super contribution deadlines

Clients wanting to make additional super contribution this financial year must do so before 30 June 2024 to ensure they count towards the 2023/24 caps.

As a general guide, a super contribution is made when it is received by the super fund. For example, if a client is contributing electronically, the contribution is deemed to have been made when the funds are credited to the super account, not the day the client makes the transfer.

Tax Ruling TR 2010/1 provides a number of other examples of when a contribution is deemed to have been made[1]. Individual super funds may also have specific requirements and deadlines that need to be considered when making super contributions towards the EOFY.

Appendix 3 – Key super rates and thresholds

Table 1: TSB thresholds and bring forward caps for 2023/24 and 2024/25

2023/24		2024/25	
TSB at 30/6/2023	**NCC cap**	**TSB at 30/6/2024**	**NCC cap**
$1.9m +	$0	$1.9m +	$0
$1.79m to < $1.9m	$110,000	$1.78m to < $1.9m	$120,000
$1.68m to < $ 1.79m	$220,000	$1.66m to < $ 1.78m	$240,000
< $1.68m	$330,000	< $1.66m	$360,000

Table 2: Spouse contribution offset eligibility

Spouse's assessable income (AI)[2]	Maximum rebatable contributions (MRC)	Max. offset 18% of lesser of:
$37,000 or less	$3,000	MRC or actual contributions (max $540)
$37,001 – $39,999	$3,000 – (AI – $37,000)	MRC or actual contributions
$40,000 +	$0	$0

Table 3: Government co-contributions eligibility

Assessable income (AI)[3]	Personal contribution	Co-contribution available
$43,445 or less	Any amount	Personal contribution x 0.5 (max $500)
$43,446 – $58,445	$0 – $1,000	Lesser of: ▪ personal contribution x 0.5, or ▪ $500 – [0.03333 x (AI – $41,112)]
	$1,000 +	$500 – [0.03333 x (AI – $41,112)]
$58,446 +	Any amount	Nil

1 TR 2010/1 paragraph 13 provides a useful summary table of different types of transactions.

2 Includes assessable income plus reportable fringe benefits and reportable employer super contributions.

3 Includes assessable income plus reportable fringe benefits and reportable employer super contributions. To calculate available co-contribution only, Assessable income is reduced by business deductions.