Logical Thoughts

FACT SHEET: END OF FINANCIAL YEAR STRATEGIES AND TIPS

The lead-up to June 30 is a great time to review your financial situation to make sure you take advantage of any end of financial year strategies and concessions available to you. The following is a brief laundry list of things to check and take advantage of where applicable. As always, please speak to us before undertaking any of these strategies.

Check your concessional super contributions for the current financial year.

One simple way to reduce the amount of tax you pay is by maximising the concessional contribution limit. The limit for this financial year is $27,500 increasing to $30,000 from 1 July 2024. Concessional contributions comprise:

- Your employer super guarantee contributions (currently 11% increasing to 11.5% from 1st July).
- Salary sacrifice contributions, which have the immediate benefit of reducing the amount of tax withheld from your pay.

- Personal deductible contributions. Now is the time to assess if you are likely to have space within the cap and the cash flow to make a voluntary top up for which you can claim a tax deduction at tax time. **Contributions must be received by your Fund before 30th June to be eligible.**

Where you are intending to claim a tax deduction for a personal contribution, it is critical that you lodge a “Notice of Intent” with your super fund, and that you have received an acknowledgement from the trustee. The acknowledgement should be passed to your accountant for use in preparation of your personal tax return.

Where you are intending to commence a pension or roll over your superannuation to another fund within the financial year, the Notice of Intent and accompanying acknowledgement must be lodged before you make these changes. Without it, your tax deduction will be denied.

Please reach out to us if you are in any doubt about your eligibility to make additional contributions to super.

Are you eligible to make catch-up concessional contributions?

Where your Total Super Balance is less than $500,000 (across all super accounts) and you have sufficient taxable income to make use of a personal tax deduction, the catch-up concessional contribution rules might be of benefit to you. The rules allow you to go back up to five years and utilise any amounts that were not contributed up to the applicable limits in those years. This could be particularly useful where you will have a large capital gain in the current financial year which could be offset with a deductible contribution to your super fund. Speak to us about the specific eligibility rules before proceeding with this strategy. This is the last year to utilise any unused cap from the 2018/19 financial year, as they will drop out of the five-year window from 30th June 2024.

Make an after-tax contribution to super.

The other common type of super contribution is the non-concessional, or after-tax contribution. These are contributions where no tax deduction is claimed, and no tax is applied to the contribution upon receipt by your Fund. There is both and annual limit and a three-year “bring-forward” limit that apply to these contributions.

Annual Limit	Bring-Forward Limit
FY 2023/24 - $110,000	FY 2023/24 - $330,000
FY 2024/25 - $120,000	FY 2024/25 - $360,000

These limits may be reduced where your Total Super Balance is approaching the threshold of $1.9M.

Note that from 2022–23 onwards, new rules allow people between age 67 and 75 to make non-concessional contributions under the bring-forward rule without having to meet the work test. You just need to be under age 75. Bear in mind however, that if you wish to claim a personal tax deduction for that contribution you will still need to meet the Work Test (paid employment of at least 40 hours over any consecutive 30-day period).

Non-concessional contributions are an ideal way to:

- increase super savings before or even during retirement.
- even up super balances between spouses, particularly where one spouse is close to (or above) the Transfer Balance Cap whilst the other spouse has space available within their cap. This can increase the tax effectiveness of super by maximising the amount each spouse has in the tax-free pension phase.
- Optimise the underlying tax components of your super balance, as non-concessional contributions are added to the “tax-free” component. When combined with a “recontribution strategy” (withdrawing and then re-contributing back into super), you can maximise the tax-free component. This is especially helpful where any portion of your residual super balance is likely to pass to non-tax dependants (such as adult children) upon your passing.

Contact us for details if you would like further information on non-concessional contributions.

Check your Total Super Balance as at 30/06/2023 to determine your eligibility to make contributions.

Before making any additional contributions to super, it is important to accurately identify what your Total Super Balance was as at 30th June 2023. This is because the eligibility requirements to make certain types of super contributions are tied to this figure.

Broadly, your Total Super Balance is the sum of amounts you hold in the tax-free super pension phase plus any amounts held in the super accumulation phase. Your Total Super Balance is available through MyGov if you have linked your account with the ATO.

Split super contributions with your spouse.

To help equalise super balances between spouses, up to 85% of the concessional contributions made in the prior financial year may be split with your spouse. This can have benefits where one spouse is approaching the Total Super Balance limit, whereas the receiving spouse has scope available within the limits. There are specific rules and requirements around splitting contributions with your spouse, so please contact us should wish to consider this strategy.

Consider deferring non-concessional contributions until the new financial year.

If you are considering making a large one-off contribution to super either under the annual limit or the bring-forward provisions, there may be merit in considering deferring this until the new financial year when the non-concessional cap will rise to $120,000 and $360,000 using the bring-forward provisions. Alternatively, depending on your contribution history, it may be possible to contribute up to $110,000 prior to June 30th, and to then make a further contribution of up to $360,000 immediately thereafter in the new financial year. It is critical that you contact us before making significant contributions to super as the penalties for breaching the relevant caps can be significant.

Are you eligible for the Government Co-contribution?

Lower income clients may be eligible for a government co-contribution of up to $500 if you make a non-concessional contribution to super. In 2023/24, the maximum $500 co-contribution is available if you contribute $1,000 and earn $43,445 pa or less. A lower amount may be received if you contribute less than $1,000 and/or earn between $43,445 and $58,445 pa at which point the co-contribution entitlement cuts out. Keep in mind that there are age limits and other criteria to make non-concessional contributions.

Pre-pay deductible expenses

Pre-paying certain expenses can bring forward the tax deduction and reduce assessable income in the current financial year. 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 this financial year. 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.

Your accountant will be able to guide you if you are able to bring forward the payment of deductible expenses.

Defer retirement or redundancy to the next financial year.

Deferring retirement (or a redundancy where there is discretion to do so) 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.

This is because the income will then be taxable in the next financial year when, all things being equal, your taxable income will be lower than the current financial year. 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.
- There may be the opportunity to mitigate the tax payable next financial year 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.

Steve has been providing advice for over 30 years and is a senior adviser and director of Logical.

Steve is a Certified Financial Planner (CFP), he holds a Diploma of Financial Planning (Deakin University and RMIT) and an Advanced Diploma of Financial Services, with specialist qualification in Self-Managed Super Fund (SMSF).

Steve Blaker
Director, Certified Financial Planner
CFP, DipFP

Matthew has worked in the financial services industry for over 30 years, including more than 15 years in financial planning.

Matthew holds an MBA from the Macquarie Graduate School of Management, a Bachelor of Commerce majoring in Banking and Finance, and holds the Chartered Accountant (CA) designation from Chartered Accountants Australia and New Zealand. He has also attained a Diploma of Financial Services and specialist qualification in Self-Managed SuperFund (SMSF).

Matthew Bull
Financial Planner
MBA (MGSM), BComm (Banking & Finance), C.A

Looking for Financial Advice?

In an ever increasingly complex financial and legislative world, our mission is to provide you with clear, concise and tailored strategic advice.

t 02 9328 3322
e team@lfma.com.au
w www.logicalfinancial.com.au

Suite 21, Level 2, 8 Hill Street,
Surry Hills NSW 2010
PO Box 103
Darlinghurst NSW 1300

logical financial management