

Logical Thoughts



FACT SHEET: KEY CHANGES IN 2024

With 2024 now upon us, it is timely to look at the changes we can expect over the coming year and beyond. Some of these changes are financial year dependent, whilst others remain dependent upon the passage of legislation. Remember to always check with us before taking any action based on these proposed or actual measures.

Unused Concessional Contribution Amounts

30 June 2024 is the deadline to use up any unused concessional contribution cap amounts which have accrued from the 2018/19 financial year. Concessional contributions are those that a tax deduction is claimed in respect of. Unused concessional contribution amounts commenced accruing from 1 July 2018. The maximum period that can be accrued is five years. To be eligible to utilise unused concessional contribution amounts, your super balance must be less than \$500,000 and you need to pass the “work test” if you are over 67 at the time of making the contribution. Contact us if you think this measure might apply to yourself.

Stage 3 Tax Cuts# :

The Stage 3 personal income tax cuts are legislated to take effect from 1 July 2024. Individuals with taxable income between \$45,000 and \$200,000 will have a reduced marginal tax rate of 32% (including Medicare levy). The table below compares the current marginal rates with the rates set to take effect from 1 July for income in the \$45,000 - \$200,000 band:

Taxable Income	Current Marginal Tax Rate*	Tax Rate Effective from 1 st July*	Tax Rate Saving
\$45,000 - \$120,000	34.5%	32%	2.5%
\$120,000 - \$180,000	39%	32%	7%
\$180,000 - \$200,000	47%	32%	15%

* Including Medicare Levy

It would now appear likely that the Labor Government will make amendments to these legislated tax cuts that they committed to at the last election.

For higher income earners, the Stage 3 tax cuts may represent an opportunity to review cash flow to determine the scope for:

- Additional super contributions to be made.
- Non-deductible debt (e.g. your mortgage) to be reduced.
- Personal investments to be made or added to.

The table below sets out the reduction in tax paid at different levels of taxable income as a result of the tax cuts:

Taxable Income Level (\$)	Highest Marginal Tax Rate (FY 2023/24)	Highest Marginal Tax Rate (FY 2024/25)	Tax Reduction (\$)
\$50,000	34.5%	32%	\$125
\$80,000	34.5%	32%	\$875
\$110,000	34.5%	32%	\$1,625
\$140,000	39%	32%	\$3,275
\$170,000	39%	32%	\$5,375
\$200,000	47%	32%	\$9,075

Transfer Balance Cap Indexation

The Transfer Balance Cap measures the maximum amount that can be transferred into the tax-free pension phase of superannuation. The general transfer balance cap currently stands at \$1.9M and increases in increments of \$100,000 in line with increases in the CPI. It was earlier thought that this limit would increase to \$2.0M with effect from 1 July 2024. However, it now appears unlikely that the relevant threshold will be met for this increase to be realised. As such, the general transfer balance cap is likely to remain at \$1.9M for the 2024/25 financial year. The actual outcome will be known once the December quarter CPI figures are released on 31 January 2024. Don't forget that if you have already commenced an income stream from super, you will have your own personal transfer balance cap of between \$1.6M and \$1.9M. Your personal transfer balance cap is set at the time a "retirement phase income stream" is commenced.

Super contribution cap indexation

Unlike the transfer balance cap, super contribution limits are indexed to average weekly ordinary times earnings (AWOTE). As a result, it is likely that current contribution caps will meet the necessary threshold to be indexed with effect from 1 July 2024. This would result in the following revised contribution limits:

Contribution Type	Current Contribution Limit	Indexed Contribution Limit (subject to confirmation) *
Concessional	\$27,500	\$30,000
Non-Concessional	\$110,000	\$120,000
Bring-Forward	\$330,000	\$360,000

* The December quarter AWOTE figure is due to be released on 22nd February 2024.

It is important to bear in mind that there are other factors that can affect contribution limits, such as your total superannuation balance, age restrictions, and your work status. As such, please check with us before making any personal contributions to super.

Superannuation Guarantee increases to 11.5%

The amount employers are required to contribute to their employee's superannuation increases to 11.5% with effect from 1 July 2024, with a final legislated increase to 12% on 1 July 2025. With the concessional cap likely to increase to \$30,000 there may be good reason to review any opportunities to increase salary sacrifice or personal contribution amounts.

Preservation age reaches age 60

Preservation age is the age at which, upon retirement, you are able to access your accumulated superannuation. The preservation age has been creeping toward 60 in a phased approach over the past five years. From 1 July 2024, the preservation age going forward will be 60. There are limited means of accessing super prior to age 60 (such as financial hardship), so for the majority of people reaching 60 and retiring from work will be the most common means of meeting a "condition of release" for their super.

Division 296 Tax - The proposed \$3 million super cap

Legislation has now been introduced to give effect to the government's proposed tax on superannuation balances exceeding \$3 million. At this point, there is uncertainty as to the final form of the legislation as it needs to go through both houses of parliament. The proposed start date is 1 July 2025. Broadly, this tax will apply to total super balances exceeding \$3 million with an additional 15% tax being levied on the earnings of balances over this threshold.

Help to Buy Scheme

The Government has introduced legislation to give effect to the 'Help to Buy Scheme' originally announced as part of the 2022 Federal Election campaign. The Help to Buy Scheme is a shared equity program which will help up to 40,000 (up to 10,000 a year) low and middle-income families to purchase a home with a minimum 2% deposit. States need to pass their own legislation for the Scheme to operate in their respective jurisdictions, and all agreed at National Cabinet to legislate the Scheme to run nationally from next year. More information will follow regarding specific eligibility requirements and rules once the relevant state legislation has been passed.



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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 Super Fund (SMSF).

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Looking for Financial Advice?

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