

Why Time Is Running Out to Use the Carried-Forward Contribution Cap and What You Need to Do

General Advice from Rob at Milestone Financial, Canberra

Understanding the Carried-Forward Contribution Cap

The carried-forward concessional contribution cap allows eligible individuals to make additional superannuation contributions by utilising unused concessional cap amounts from previous financial years. This rule was introduced in the 2018-19 financial year to help those who have had periods of lower income or interrupted work and want to catch up on their super contributions.

Why Time Is Running Out

With 2025 well underway and less than five months remaining in this current financial year, this is something you should consider as time is running out. The unused concessional contributions can only be carried forward for up to five years, after which they expire. This means that at the end of the 2024-25 financial year, any unused concessional contributions from the 2019-20 financial year will be forfeited if not used. For individuals looking to maximise their super contributions and tax benefits, the window to take advantage of these older carry-forward amounts is closing.

Key Benefits of Using the Carried-Forward Cap

1. **Boost Your Super Balance** – Making additional concessional contributions helps you grow your retirement savings faster.
2. **Tax Efficiency** – Concessional contributions are taxed at a lower rate of 15% compared to most individuals' marginal tax rates, potentially providing significant tax savings.
3. **Flexibility** – This is particularly beneficial for those with fluctuating incomes or those who have recently experienced an increase in earnings and can now contribute more to super.

Who Is Eligible?

To be eligible to use carried-forward contributions, you must:

- Have a total super balance of less than \$500,000 at the end of the previous financial year (June 30, 2024, for the current financial year).
- Have unused concessional cap amounts from the past five years.

What You Need to Do

If you want to make use of the carried-forward concessional contribution cap before the deadline, follow these steps:

1. **Check Your Eligibility** – Log into the myGov website linked to the Australian Taxation Office (ATO) to view your super balance and available carried-forward amounts.
2. **Calculate Your Contributions** – Determine how much of the unused cap you can contribute without exceeding the concessional cap. Make sure you have sufficient taxable income in this financial year to fully utilise the tax deduction.
3. **Make the Contribution Before June 30, 2025 (many super funds recommend contributing by June 24 or 25 to allow for processing)** – Ensure your concessional contributions are processed by your super fund before the financial year ends.
4. **Claim a Tax Deduction (If Making Personal Contributions)** – If you're making a personal contribution, submit a Notice of Intent to Claim a Deduction to your super fund before lodging your tax return.

5. **Consult a Financial Adviser** – Given the complexities around contributions and tax planning, seeking professional advice can help ensure you maximize your benefits without breaching contribution limits.

Final Thoughts

The carried-forward concessional contribution cap presents a valuable opportunity to enhance your super balance and reduce your tax liability. However, the expiry of older unused caps means that time is running out to take full advantage of this strategy. To make the most of this opportunity, act now and ensure your contributions are in place before the June 30 deadline.

By taking proactive steps today, you can strengthen your retirement savings and make the most of the superannuation system's tax advantages before it's too late.

If you have any questions or need assistance, speak to one of our team at Milestone Financial for help.

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