



Utilising Your Unused Superannuation Caps

Unused contributions are those left over from previous years when you and your employer did not use up your concessional contribution cap for that year. They can be used to allow you to make tax deductible superannuation contributions up to more than just your concessional contribution cap for the current year. Concessional contributions are effectively from before tax dollars either because your employer makes them from you before tax pay or you make them for yourself and claim a tax deduction in your tax return. The maximum for the 2026 financial year is \$30,000 and includes payments made by your employer under the superannuation guarantee.

Deciding whether to utilise your unused concessional superannuation caps is a bit like a game of Jenga. Timing is very important. Once your superannuation balance reaches \$500,000 you will no longer be able to draw on your unused caps. Starting to use your unused caps will mean that you cannot carry forward any unused cap from the current year. You can only hold onto your unused caps for a maximum of 5 years. Once your adjusted income, which includes adding back any superannuation contributions other than the superannuation guarantee, exceeds \$250,000 all your contributions could be taxed at 30%. A crystal ball would also be very handy.

Considering the \$500,000 threshold it is probably better to act sooner than later but very much unique to your particular circumstances. Now is the time to look into this as the end of the financial year approaches.

If your superannuation balance is under \$500,000 and you have not contributed the maximum concessional (tax deductible) amount in the previous 5 years, then you are entitled to use some of that previously unused cap to take your concessional contributions over \$30,000 this year. Careful planning is necessary to make the most of this concession. The \$500,000 threshold is your fund balance at the end of the previous financial year. If you have met a condition of release (ie 65 or retired) yet are still entitled to make concessional contributions into superannuation you could withdraw enough funds to bring you under the \$500,000 threshold this year so you could make a superannuation contribution next year.

Retirees are likely to have very large unused caps but once they reach 67 years of age they must meet a work test in order to make concessional (tax deductible) superannuation contributions.

The \$500,000 cap is one of two reasons there may be no point in saving up your unused cap for a high income year such as selling a property with a high capital gain. The other trap is if you wait for a very high income year you will probably have an adjustable taxable income in excess of \$250,000. Adjusted income is not the same as taxable income. Adjusted income adds back, among other things, investment losses and concessional superannuation contributions to your taxable income. More detail is available here <https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/growing-and-keeping-track-of-your-super/caps-limits-and-tax-on-super-contributions/division-293-tax-on-concessional-contributions-by-high-income-earners> Once your adjusted income exceeds \$250,000 all your concessional (tax deductible) superannuation contributions, including those made by your employer will be taxed at 30% instead of 15% under Div 293. There is an exception if the amount that your adjusted income exceeds \$250,000 by is less than your concessional superannuation contributions then you only pay the extra 15% on the amount over \$250,000. If you are just over the \$250,000 before deductions for superannuation contributions this still may be the best year to use up your unused caps as the vast majority of the contribution will still be taxed at 15%.

There is a sweet spot, specific to your circumstances where your taxable income is over \$190,000 so your tax rate is 47% but your adjusted income is under \$250,000. This is where a superannuation contribution is going to save you 32% in tax. If you go over the \$250,000 you pay 15% tax on either the amount over \$250,000 or all yours and your employer's concessional superannuation contributions, whichever is the lowest amount.

So, you can see it may be better to use up all your unused cap in a year before you make that huge capital gain that will push you way over the \$250,000. If your regular taxable income is over \$190,000 either way your income will be taxed at 47%, so you may as well plan to make the most of those unused contributions by using them to bring your taxable income down to \$190,000 while your adjusted income is under \$250,000. Whenever that is possible so the extra contributions for the unused cap go into superannuation at the 15% tax rate.

Another important consideration is timing, once you start your options decrease. You are entitled to 5 years of unused caps plus the current year. The order of events is you must first use up the current year's cap of \$30,000 (note it includes your employer's contribution) and then you can start working on the oldest unused amount. If you don't use it all up that oldest year will drop off as you are only entitled to go back 5 years. The important consideration is that as you have already pushed the current year over the \$30,000 there will be no unused cap for that year, when it rolls over. You had to use it all up before you were able to access previous years' unused caps. This means, next year you will only have 4 years' worth of unused caps.

When you do start on your unused caps there is an advantage to hit it hard and make the most of it but remember those contributions don't bring down your adjusted income, they are added back to your taxable income when calculating your adjusted income. You still need to make sure you do not go over the \$250,000 adjusted income threshold so those superannuation contributions won't cost another 15% in tax. That is if your circumstances

are such that you could utilise those unused caps in future years where your adjusted income is below \$250,000. Otherwise 30% tax is still better than 47% and your money working for you in a low tax environment.

In the 2026-2027 financial year the marginal tax rate between \$18,200 and \$45,000 is only 15% so there is no tax advantage in making concessional contributions to superannuation once your taxable income has been reduced to \$45,000 but you might want to consider non concessional (non tax deductible) contributions as super is a nice low tax environment to invest your money. Non concessional contributions will not use up any of your unused cap.

It is important to be clear about whether your contributions are concessional or non concessional with your superannuation fund so you can preserve your unused cap for next year. Fortunately, it is easy to get this exactly right if you make a lump sum contribution to your superannuation fund. Ask them for a notice of intention (NOI) don't fill it out until you complete your tax return so you can tell them exactly what part of the lump sum you are contributing will be claimed as a tax deduction and what can go in as a non concessional amount that does not affect your unused cap. Crucially, you must submit your Notice of Intent to the fund and receive an acknowledgement before you lodge your tax return. N Further, you must complete your NOI within 12 months of the end of the financial year you made the contribution.

Further Reading:

How to Make Your Own Superannuation Contribution

<https://www.bantacs.com.au/Jblog/how-to-make-your-own-super-contributions/#more-636>

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