Concessional contributions:
Can there be too much of a good thing?

A fantastic way to grow your retirement savings and shrink your tax bill is through concessional contributions (CCs) to super. But more is not always better and like Goldilocks and her porridge, it pays to get things *just right*.

The basics of concessional contributions

Extra CCs can be made through salary sacrifice or as personal deductible contributions (PDCs). These contributions reduce your taxable income and are taxed at 15% inside super rather than your personal tax rate. That's a win—especially if you're on a higher income!

When do concessional contributions lose their tax advantage?

CCs typically save you tax but there's a point where they stop working in your favour. This happens when your taxable income drops to the effective tax-free threshold—the level where you don't pay any tax anyway.

For the 2024/25 financial year, the effective tax-free threshold for a single person (without the Senior Australian Pensioner Tax Offset or SAPTO) is $22,575. This includes the standard tax-free threshold of $18,200 plus the Low-Income Tax Offset (LITO). If your taxable income falls below this, making CCs won't save you any tax—because you weren't paying any in the first place!

What is YOUR effective tax-free threshold?

Knowing your effective tax-free threshold will help you decide how large or small your CC should be. This of course assumes you have your cashflow sorted!

The table following illustrates the effective tax-free thresholds that may apply to you depending upon your circumstance.

Single or couple	Effective tax-free threshold*
Single	$22,575
Single (eligible for SAPTO)	$35,815
Member of a couple	$22,575
Member of a couple (eligible for SAPTO)	$31,890

* Figures rounded to the nearest $5

If your taxable income is already below your threshold, making CCs won't reduce your tax further—but they will be taxed at 15% inside super. This means you're losing 15% for nothing and you might be better off considering making after-tax "non-concessional contributions" which aren't subject to this "contributions tax."

Don't forget your catch-up concessional cap!

Haven't been maxing out your concessional cap in previous years? No worries! If your total super balance is under $500,000, you can make extra catch-up contributions using your unused cap amounts from the past five years. You might even be eligible for up to $162,500 in catch-up CCs! That can really get your taxable income down—but remember don't go overboard!

Watch your concessional cap and other tips

Don't forget your employer will make CCs via super guarantee and these will also count towards your concessional cap. Exceeding your concessional cap can mean extra tax and be an administrative headache. Also if you are on a higher income your CCs may be subject to an additional 15% tax in the form of "Division 293" tax.

Play it smart and get advice!

Speak to your adviser

Super contributions are a balancing act—too little and you miss tax benefits, too much and you could face extra tax. Chat with your financial adviser to find the right number for you!