More super – less tax

The end of the financial year is fast approaching and there's a great way to help you save on tax while boosting your super.

By making an after-tax contribution to your superannuation before the end of the financial year, you could boost your retirement savings for the future – and claim a tax deduction now.[1]

Here's what you need to know:

Benefit today – and tomorrow

If you make super contributions from your after-tax income or savings, you may be able to claim them as a tax deduction and reduce your taxable income, while boosting your super.

The contribution will then be taxed in your super fund, generally at the concessional rate of up to 15% (or up to 30% for higher income earners). This is instead of paying tax at your marginal tax rate, which could be up to 47% (including the Medicare levy).

Depending on your circumstances, this strategy could result in a tax saving of up to 32% – and help you retire with more.

Here's an example:

Bob is 55 years of age and earns $80,000 pa, so his marginal tax rate is 34.5% (including the Medicare levy). He's paid off his mortgage and plans to retire in 10 years – so he wants to contribute more to his super.

He makes a personal super contribution of $10,000 and claims the amount as a tax deduction – reducing his taxable income. This means he pays $3,450 less tax in his tax return.

Meanwhile, tax of 15% ($1,500) is deducted from the contribution in the fund.

So, by using this strategy, Bob increases his super balance and makes a net tax saving of $1,950 (that is, $3,450 less the $1,500 tax he paid within his super fund).

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Am I eligible?

You can make a personal deductible contribution to super under the age of 67 regardless of your working status. From 67 to 74 you generally need to have worked at least 40 hours over 30 consecutive days in the financial year you contribute. However, you are exempt from this 'work test' if you met it in the previous financial year and your total super balance was less than $300,000 on the previous 30 June.

How do I claim my deduction?

To claim the super contribution as a tax deduction, you need to submit a valid 'Notice of Intent' form to your super fund, and receive an acknowledgement from them, before you complete your tax return, start a pension or withdraw or rollover the money.

How much can I contribute?

Personal super contributions claimed as a tax deduction count towards your concessional contribution cap, which is $25,000 in the 2020/21 financial year.

However, you may be able to contribute more than this if you didn't fully use up the $25,000 cap in 2018/19 or 2019/20 by making some additional 'catch-up' contributions[1].

But make sure you don't contribute more than you are allowed, as penalties may apply. Also, keep in mind that all employer contributions (including superannuation guarantee and salary sacrifice) and certain other amounts are counted towards this cap.

Need advice?

If you're thinking about investing more in super, we can help you decide whether making a personal deductible contribution is right for you. We can also help you assess all your options that may help build a healthy retirement nest-egg.

[1] Other eligibility conditions apply.

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