

# Superannuation – Personal deductible contributions

Making a personal contribution into superannuation and claiming a tax deduction for the contribution may increase your retirement savings and reduce your income tax payable.

## Benefits

- Investing in superannuation boosts your savings to help meet your retirement goals.
- The rate of return inside superannuation may be higher after-tax than investing outside superannuation. This is because earnings inside superannuation are taxed at a maximum rate of just 15%, whereas earnings from non-superannuation investments are generally taxed at your marginal tax rate. This helps your savings to grow faster.
- Savings can grow by making contributions from pre-tax money, with a maximum tax rate of 15% on contributions. High income earners may pay an additional 15% tax on all or part of their concessional contributions.
- Tax efficiencies may also be created by carefully planning when disposing of assets to reduce capital gains tax.
- The additional contributions can help to cover the cost of insurance premiums if you hold insurance inside superannuation.

## How it works

To claim a tax deduction for a personal contribution, you will first need to make an eligible personal contribution to superannuation. You need to be under age 65 or 65-74 and have worked at least 40 hours within 30 consecutive days within the financial year to be eligible to make any contributions. Generally contributions must be accepted no later than 28 days after the month in which you turn 75.

## Notifying the fund of intentions

To claim the tax deduction, you need to lodge a Notice of Intent form with the trustee of the fund by the earlier of:

- the day you lodge your tax return for the financial year
- the end of the financial year after the year in which the contribution was made
- commencing an income stream from the fund
- withdrawing or rolling money out of the fund
- lodging an application to split contributions to a spouse.

Once you have lodged a Notice of Intent with your fund, you cannot revoke it. However if you have made an error or no longer wish to claim a deduction for the amount originally noted, you can reduce the amount you wish to claim in part (including to nil) by lodging a valid Variation Notice. It is important to understand that similar to lodging a Notice of Intent, there are certain conditions and timeframes within which you must lodge the variation notice for it to be valid.

## Contribution caps

If you claim a deduction for a personal contribution, the amount is included as a concessional contribution and counts towards your concessional contributions cap.

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There is a cap on how much can be contributed as concessional contributions each year without incurring additional rates of tax. The concessional contribution cap for 2018/19 is \$25,000.

Concessional contributions also include contributions your employer is liable to make on your behalf (eg Super Guarantee contributions) and salary sacrifice contributions. There are certain other contributions that may also count (eg distributions from superannuation fund reserves).

Tax applies on your concessional contributions at a rate of up to 15%. If you're a high income earner, and have income from certain sources in excess of \$250,000 (income threshold applies in 2018/19) you may be subject to an additional 15% tax on your concessional contributions within the cap.

If the concessional cap is exceeded, you will pay tax on the excess contribution at your marginal rate less the 15% already paid within your superannuation fund. Interest penalties will also apply. You can elect to withdraw the excess from superannuation. If you don't make this election, the excess amount is also counted towards the non-concessional contributions cap. Additional tax penalties may also apply if you exceed the non-concessional contribution cap.

### Catch up Concessional Contributions

From 1 July 2018, you may be able to accrue your unused concessional contributions cap and carry these amounts forward to enable you to make concessional contributions in excess of your annual cap in subsequent years. Amounts will be carried forward on a five year rolling basis. As the regime only applies to unused amounts accrued since 1 July 2018, the first year you may be eligible to use a carried forward amount will be the 2019/20 financial year. To make use of a carried forward concessional contribution, your total superannuation balance (which includes the value of all of your superannuation pension accounts and accumulation balances) cannot exceed \$500,000 on the 30 June of the previous financial year. Unused amounts which you have not used within five years cannot be carried forward.

### Low Income Superannuation Tax Offset (LISTO)

If you have an adjusted taxable income of less than \$37,000 you may receive a LISTO contribution from the government paid into your superannuation fund equal to 15% of your total concessional superannuation contributions for an income year, capped at \$500.

The ATO will determine your eligibility for the Low Income Superannuation Tax Offset and advise your superannuation fund annually.

### Risks and Consequences

- A deduction can only reduce your taxable income to nil. It cannot create an income loss.
- If you are age 75 or over, deductions can only be claimed for contributions made before the 28th day of the month following the month in which you turned age 75.
- Personal deductible contributions are a reportable superannuation contribution. This means the contribution is not included in your assessable income, but is included on your tax return for the purpose of determining your eligibility to certain benefits, concessions and obligations.
- The deductible contributions are added to your taxable component. Tax will be payable if you access these amounts before age 60 or if they are paid as a death benefit to non-tax dependants (eg adult children) as a lump sum or to eligible dependants as an income stream if you're under age 60 when you pass away and your beneficiary is also under 60.

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- You should confirm your eligibility for the deduction with your accountant as well as the amount of deduction that is appropriate for your overall tax situation.
- All contributions to superannuation are preserved until you meet a condition of release. You need to be sure that you do not need access to the amount contributed before you meet a condition of release.
- Tax and other penalties apply if you exceed your concessional contribution limits.
- You can't claim a tax deduction for contributions you make that are 'downsizer contributions'.
- Fees may be charged for your superannuation contributions. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.
- The Government may change superannuation legislation in the future.

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