

# Superannuation – Personal deductible contributions

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

## How it works

To claim a personal tax deduction for a personal contribution, you will first need to make an eligible personal contribution to superannuation. Generally, you are eligible to contribute to superannuation if you are under age 75. However, contributions must be received no later than 28 days after the end of the month you turn 75. In addition, since 1 July 2022, if you are at least age 67 at the time the contribution is made, you must meet the 'work test' or be eligible to apply the 'work test exemption'.

The 'work test' requires that you have worked at least 40 hours over a consecutive 30-day period in the financial year the contribution is made. The 'work test exemption' provides a one-year relief from the work test for recent retirees. It is available if:

- you met the work test in the financial year immediately prior
- your total superannuation balance is less than \$300,000 as at the prior 30 June, and
- you have not previously utilised the exemption in a prior year (i.e. the exemption can only be applied once in your lifetime).

The total superannuation balance includes your accumulation accounts, retirement phase income streams, in transit rollovers and may include certain limited recourse borrowing arrangements in self-managed super funds.

The ATO will make an assessment of your eligibility to claim the personal tax deduction when you lodge your tax return.

## Notifying the fund of your intentions

To claim the income 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 contribution was made
- the end of the financial year following the year in which the contribution was made
- commencing an income stream from the fund
- exiting the fund
- lodging an application to split contributions to a spouse.

The amount you can claim as a personal income tax deduction may be reduced if you make a partial withdrawal or rollover from the fund.

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.

A variation notice must be lodged before:

- in the case the ATO has not denied your tax deduction, the earlier of:
  - the day you lodge your tax return for the financial year the contribution was made, or
  - the end of the financial year following the year in which the contribution was made.
- commencing an income stream from the fund
- exiting the fund (a partial withdrawal or rollover may limit the amount you can include in a variation notice), or
- lodged an application to split contributions with your spouse.

If you are unable to lodge a valid Variation Notice, this can result in:

- the loss of the personal tax deduction and associated value to you
- no refund of contributions tax payable by your super fund on these contributions, and
- the amount claimed as a tax deduction continuing to be treated as a taxable component.

For more information see the ATO's page on '*Notice of intent to claim or vary a deduction for personal super contributions*' - <https://www.ato.gov.au/Forms/Notice-of-intent-to-claim-or-vary-a-deduction-for-personal-super-contributions/>

### Contribution caps

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

There is a cap on how much can be contributed as concessional contributions each year without incurring additional rates of tax. The general concessional contribution cap for the 2023/24 financial year is \$27,500.

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

Tax applies on your concessional contributions at a rate of up to 15% within your cap. If you're a high income earner and have income from certain sources in excess of \$250,000 (income threshold applies in the 2023/24 financial year) you may be subject to an additional 15% tax on your concessional contributions within the cap. Note that if your personal concessional cap is higher as a result of available unused concessional contributions (see below), this may also increase your liability for additional tax.

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. 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

Since 1 July 2018, you are able to accrue your unused concessional contributions cap and carry these amounts forward. If you're eligible, you may be able to make concessional contributions in excess of the general annual cap in subsequent years. Amounts will be carried forward on a five year rolling

basis before they expire. The regime only applies to unused amounts accrued since 1 July 2018, so only unused concessional contributions from that point can be carried forward. To make use of a carried forward concessional contribution, your total superannuation balance cannot exceed \$500,000 on the 30 June of the previous financial year.

### **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 Australian Taxation Office (ATO) will determine your eligibility for the LISTO and advise your superannuation fund annually.

### **Benefits**

These may include:

- Investing in superannuation may help to boost your savings to 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.
- Superannuation 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 may help to cover the cost of insurance premiums if you hold insurance inside superannuation.

### **Risks, consequences and other important things to consider**

These may include:

- 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
  - the amount is paid as a death benefit to non-tax dependants (e.g. adult children) as a lump sum, or
  - paid to eligible dependants as an income stream if you're under age 60 when you pass away and your beneficiary is also under 60.
- You should confirm your eligibility for the deduction with your registered tax agent as well as the amount of deduction that is appropriate for your overall tax situation.

- All contributions to superannuation are preserved (i.e. cannot be accessed) until you meet a condition of release, such as retirement after you reach preservation age. 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 may apply if you exceed your contribution caps.
- You can't claim a tax deduction for contributions you make that are 'downsizer contributions' or amounts previously withdrawn under the COVID-19 compassionate grounds condition of release.
- 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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**Important information:**

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