Super strategies

Make tax-deductible super contributions

By making a personal super contribution and claiming the amount as a tax deduction, you may be able to pay less tax and invest more in super.

How does the strategy work?

If you make a personal super contribution, you may be able to claim the contribution as a tax deduction and reduce your assessable income.

The contribution will generally be taxed in the fund at the concessional rate of up to 15%[1], instead of your marginal tax rate which could be up to 47%[2].

Depending on your circumstances, this strategy could result in a tax saving of up to 32% and enable you to increase your super.

How do you claim the deduction?

To be eligible to claim the super contribution as a tax deduction, you need to submit a valid **'Notice of Intent'** form. You will also need to receive an acknowledgement from the super fund before you complete your tax return, start a pension or withdraw or rollover money from the fund to which you made your personal contribution.

Make sure you can utilise the deduction

It is generally not tax-effective to claim a tax deduction for an amount that reduces your assessable income below the threshold at which the 19% marginal tax rate is payable. This is because you would end up paying more tax on the super contribution than you would save from claiming the deduction.

Other key considerations

- Personal deductible contributions count towards the 'concessional contribution' cap. This cap is $25,000 in 2019/20, or higher if you didn't contribute the full $25,000 in 2018/19 and are eligible to make 'catch-up' contributions. Penalties apply if you exceed the cap.
- You can't access super until you meet certain conditions.
- If you are an employee, another way you may be able to grow your super tax-effectively is to make salary sacrifice contributions (see opposite page).

Seek advice

To find out whether you could benefit from this strategy, you should speak to a financial adviser and a registered tax agent.

[1] Individuals with income above $250,000 in 2019/20 will pay an additional 15% tax on personal deductible and other concessional super contributions.

[2] Includes Medicare Levy.

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Case study

Bob, aged 55, is self-employed, earns $80,000 pa and pays tax at a marginal rate of 34.5% (including the Medicare levy).

He's paid off most of his mortgage, plans to retire in 10 years and wants to boost his retirement savings.

After speaking to a financial adviser, he decides to make a personal super contribution of $10,000 and claim the amount as a tax deduction.

By using this strategy, he'll increase his super balance. Also, by claiming the contribution as a tax deduction, the net tax saving will be $1,950.

Details	Make personal contribution	Make personal contribution and claim deduction
Personal super contribution	$10,000	$10,000
Assessable income	$80,000	$80,000
Less super deduction	Nil	($10,000)
Taxable income	$80,000	$70,000
Income tax and Medicare payable[4]	$19,147	$15,697
Income tax and Medicare Levy saving		$3,450
Less 15% fund tax on deductible contribution		($1,500)
Net tax saving		$1,950

[4] Based on 2019/20 tax rates.

Salary sacrifice contributions

If you are an employee, you may want to arrange with your employer to contribute some of your pre-tax salary into super. This is known as 'salary sacrifice'.

Like making personal deductible contributions, salary sacrifice may enable you to boost your super tax-effectively. There are, however, a range of issues you should consider before deciding to use this strategy.

Your financial adviser can help you determine whether you should consider salary sacrifice instead of (or in addition to) making personal deductible contributions.

You may also want to ask your financial adviser for a copy of our super concept card, called **'Sacrifice pre-tax salary into super'.**

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