PERSONAL-DEDUCTIBLE CONTRIBUTIONS

Contributing personally to your superannuation fund and claiming a tax deduction for it can be a valuable strategy for enhancing your retirement savings while potentially reducing your overall income tax burden.

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You have the opportunity to claim a tax deduction for:

1. Any voluntary post-tax contributions made to your superannuation.
2. After-tax standard member contributions directed into an accumulation account.

Benefits

- Investing in superannuation can amplify your savings, aiding you in achieving your retirement objectives.
- Superannuation fund earnings are subject to a special concessional tax rate, typically lower than the marginal tax rates applied to earnings from non-superannuation investments.
- Claiming a tax deduction for your contribution lowers your taxable income and the amount of income tax you are required to pay. This can either increase your disposable income or provide more funds for investment.
- If you've incurred capital gains tax due to the sale of an asset, contributing some or all of the proceeds to your superannuation allows you to claim a tax deduction, potentially reducing your capital gains tax liability.

How it works

- If you are under 18, you must generate income from business or employment.
- For individuals aged 67 to 74 at the time of the contribution, you must have worked at least 40 hours over a consecutive 30-day period at any point during the fiscal year, unless a work test exemption applies.
- This tax deduction decreases your taxable income and the consequent tax payment.
- Nonetheless, these contributions are subject to concessional tax rates when entering the superannuation fund. If your 'income' surpasses a certain threshold, you may be subject to additional tax on part or all of the deductible contribution.

Notifying the fund of intentions

- To claim the tax deduction, you must submit a Notice of Deductibility form to the fund's trustee by the earlier of:
- The day you submit your tax return for the fiscal year.
- The end of the fiscal year following the one in which the contribution was made.

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- Initiating an income stream from the fund.
- Withdrawing or transferring funds out of the fund.
- Applying to split contributions with a spouse.

Do not claim the deduction until you have submitted the form and received an acknowledgment notice from the superannuation fund trustee. The deduction cannot be claimed after commencing an income stream. Once filed, it cannot be revoked, but you can reduce the claimed deduction amount if necessary.

Contribution Limits

If you are claiming a tax deduction for an after-tax superannuation contribution, it will count toward your concessional contributions cap. Penalties may apply if you exceed this cap. Additionally, personal tax-deductible contributions are not the sole contributions counted toward this cap; other contributions encompass

- Mandatory contributions from your employer under the Superannuation Guarantee.
- Contributions from any other employment during the same fiscal year.
- Salary sacrifice contributions.
- Notional taxed contributions for defined benefit fund members.

Key Considerations

- A deduction can only reduce your taxable income to zero; it cannot create a loss.
- If you are over 75, deductions can only be claimed for contributions made before the 28th day of the month following the month you turned 75.
- Personal deductible contributions are classified as reportable superannuation contributions, affecting eligibility for specific benefits, concessions, and obligations without being included in your assessable income.
- Deductible contributions are included in your taxable component, potentially incurring tax if accessed before retirement or paid as a death benefit to non-tax dependents.
- Verify your eligibility for the deduction and the appropriate deduction amount for your overall tax situation with your accountant.
- All superannuation contributions are preserved until you satisfy a condition of release, so ensure you do not require access to the contributed amount until retirement.

- Be aware of potential fees associated with your superannuation contributions; consult the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.
- You cannot claim a tax deduction if you have initiated an income stream, for before-tax (concessional) contributions like salary sacrificed or employer contributions, if the fund no longer holds the contribution, for rollovers from other funds (including foreign superannuation funds), for First Home Superannuation Saver Scheme (FHSSS) amounts released and recontributed to your superannuation fund, or for eligible downsizer contributions.

References

You may wish to refer to the following websites for further information about personal-deductible contributions:

- www.moneysmart.gov.au
- www.ato.gov.au