PERSONAL DEDUCTIBLE CONTRIBUTIONS

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Making a personal contribution into superannuation and claiming a tax deduction for the contribution may assist with increasing your retirement savings and potentially reducing your income tax. You can claim a tax deduction for:

- Any voluntary after-tax superannuation contributions.
- After-tax standard member contributions made to an accumulation account.

BENEFITS

- Investing in superannuation may boost your savings to help meet your retirement goals.
- A special concessional rate of tax applies to superannuation fund earnings whereas earnings from non-superannuation investments are generally taxed at marginal tax rates which may be typically higher.
- You will be eligible to claim a tax deduction for the amount of the contribution which will reduce your taxable income and the amount of income tax you pay. This can increase your disposable income or increase the amount you can invest.
- Likewise, if you've sold an asset that you have to pay capital gains tax on, you may decide to contribute some or all of that money into superannuation, so you can claim it as a tax deduction, which may reduce any capital gains tax payable.

HOW IT WORKS

Anyone under age 75 who is employed or subject to an award can choose to claim a tax deduction for personal deductible contributions up to the concessional contribution cap.

This deduction reduces your taxable income and the tax you would otherwise pay. The contributions are however taxed at the concessional tax rate upon entry into superannuation. If your 'income' is over the high 'income' threshold, you may pay additional tax on part or all of the deductible contributions.

NOTIFYING THE FUND OF INTENTIONS

To claim the tax deduction, you need to lodge a Notice of Deductibility 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.

You should not claim the deduction until you have lodged the form and received an acknowledgement notice from the superannuation fund trustee.

You cannot claim the deduction after you have commenced an income stream.

Once lodged, you cannot revoke it but if you have made an error or change your mind you can reduce the amount to be claimed as a deduction.

CONTRIBUTION CAPS

If you're claiming a tax deduction for an after-tax superannuation contribution, the contribution will count towards your concessional contributions cap. If you exceed this, penalties will apply. Note, from 1 July 2019, your concessional contribution cap may be higher if you're eligible to use unused concessional contribution cap amounts that you have carried forward from previous years.

It's also important to note that personal tax-deductible contributions are not the only contributions that count toward this cap. Other contributions include:

- Compulsory contributions paid by your employer under the Superannuation Guarantee.
- Contributions from any other jobs you may have held in the same financial year.
- Salary sacrifice contributions.
- Notional taxed contributions if you're a member of a defined benefit fund.

WHAT YOU NEED TO CONSIDER

- A deduction can only reduce your taxable income to nil. It cannot create a loss.
- If you are over age 75, 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 retirement age or if they are paid as a death benefit to non- tax dependents (e.g. adult children).
- 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 until you retire.
- 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.
- You cannot claim a tax deduction:
- If you have commenced an income stream.
  - On any before-tax (concessional) contributions such as salary sacrificed contributions or employer contributions.
- If the fund no longer holds the contribution.
- On a payment to your superannuation that is a rollover from another fund (including foreign superannuation funds).
- On First Home Superannuation Saver Scheme (FHSSS) amounts released to you then recontributed to your superannuation fund.
- On eligible downsizer contributions.

REFERENCES

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

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

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