RESOLUTION
WEALTH • PARTNERS

TAX DEDUCTIBLE SUPER CONTRIBUTIONS

Resolution Wealth Partners
Unit 1, 110 Hay St
Subiaco WA 6009
P 08 9389 1881
E admin@resolutionwealth.com.au
W www.resolutionwealth.com.au

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Tax-deductible super contributions explained

Did you know, you may be able to claim a tax deduction on certain super contributions when you do your tax return?

Whether you're employed, self-employed, or in some instances even unemployed or retired, you may be able to claim a tax deduction on certain after-tax super contributions you've made.

These don't include compulsory SG contributions your employer might be required to make into your super fund under the super guarantee, nor does it include salary sacrifice contributions, which are additional contributions you may get your employer to make into your super fund out of your before-tax income.

How do I make a tax-deductible super contribution?

You can make an after-tax super contribution in a variety of different ways, such as using money from your regular bank account, savings, an inheritance, or from the proceeds of the sale of an asset.

You may then be able to claim a tax deduction on the amount of that contribution when you do your annual tax return.

What are some of the benefits of tax-deductible super contributions?

Putting money into super and claiming it as a tax deduction may be of particular benefit if you receive some extra income that you'd otherwise pay tax on at your personal income tax rate (as this is often higher).

Similarly, 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 super, so you can claim it as a tax deduction. This could reduce or even eliminate the capital gains tax that's owing altogether.

Meanwhile, there could be further tax benefits as investment earnings made inside the super environment may also benefit from an equivalent tax saving, which could make a difference when you do eventually withdraw your super savings and retire.

What do I need to do to claim a tax deduction on a super contribution?

Make an after-tax contribution to your super

The amount you choose to contribute is up to you but remember you can't contribute more than $27,500 per year under the new concessional contributions cap, unless you're eligible to make catch-up concessional contributions (more on this below).

If you exceed the yearly cap, extra tax may apply to the excess contributions.

Lodge a form with your super fund

You'll need to lodge a notice of intent form with your super fund, which your super fund will acknowledge in writing.

Also note, you shouldn't make any withdrawals, rollovers or start drawing a pension from your super before your notice of intent form has been lodged with and acknowledged by your super fund. Doing any of these may reduce or invalidate the tax deduction you're seeking.

Have the paperwork ready when you do your tax return

Once the financial year is over, you can prepare and lodge your tax return using the written acknowledgement from your super fund that confirms your intention to claim and the amount you can claim.

Remember, you normally have until 31 October to lodge your tax return for the previous financial year, but you may have more time if you use a registered tax agent.

Are there other things that I should keep in mind?

Your age. Anyone who's eligible to contribute to super can claim a tax deduction on their after-tax contributions but those aged 67 or over need to meet (or have the one-off exemption from) the work test before being able to make voluntary super contributions. Under the work test, you must've been gainfully employed during the financial year for at least 40 hours over a period of no more than 30 consecutive days.

Meanwhile, if you're under age 18, you can only claim a tax deduction on a super contribution if you've earned income as an employee or a business operator during the year.

Contribution limits

If you're claiming a tax deduction for an after-tax super contribution, the contribution will count toward your concessional contributions cap ($27,500 per year).

Note, you may be able to contribute more than this amount if you're eligible to use unused concessional contribution cap amounts from previous financial years.

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

– Compulsory SG contributions your employer pays under the super guarantee, including contributions from any other jobs you may have held in the same financial year

– Salary sacrifice contributions you may get your employer to make into your super fund out of your before-tax income.

Other contribution incentives

After-tax super contributions that you claim a tax deduction for will not be eligible for a super co-contribution from the government. Also note, downsizer contributions (which you can make if you're 65 or over) are not tax deductible.

When you can access super

It's important to know that the government sets general rules around when you can access your super. Generally, you won't be able to access this money until you've reached your preservation age (which will be between 55 and 60, depending on when you were born) and retire.

Super returns aren't guaranteed

The value of your investment in super can go up and down. Before making extra contributions, make sure you understand and are comfortable with any potential risks.

If you'd like to discuss making extra contributions to your superannuation, please don't hesitate to give us a call.

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