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 49%[2].

Depending on your circumstances, this strategy could result in a tax saving of up to 34% and enable you to increase your super.

Who can use this strategy?

This strategy will usually be available if you are self-employed, substantially self-employed or not working and under age 65. You will not be able to use this strategy if you earn more than 10% of your income[3] from eligible employment.

If you are an employee, you may instead want to arrange for your employer to contribute some of your pre-tax salary, wages or a bonus into super. More information on this strategy can be found in our super strategy card, called **'Sacrifice pre-tax salary into 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' (CC) cap and tax penalties apply if you exceed the cap. In 2016/17, the CC cap is$35,000 if you were aged 49 or older on 30 June 2016, otherwise it's $30,000.
- You can't access super until you meet certain conditions.

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 $300,000 (in 2016/17) will pay an additional 15% tax on personal deductible and other concessional super contributions. This income threshold will reduce to $250,000 in 2017/18.

[2] Includes Medicare levy and the Temporary Budget Repair levy of 2% on taxable income exceeding $180,000.

[3] Includes assessable income, reportable fringe benefits and reportable employer super contributions.

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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	$19,147	$15,697
Income tax and Medicare saving		$3,450
Less fund tax on deductible contribution		($1,500)
Net tax saving		**$1,950**

2017/18 changes

Changes recently legislated that may impact the claiming of personal super contributions from 1 July 2017 include:

- The annual cap on concessional (pre-tax) super contributions will reduce to $25,000, regardless of age.
- Most people will be able to claim a deduction for personal super contributions, regardless of employment status.

From 1 July 2018, if certain eligibility criteria are met, you may be able to carry forward unused concessional cap amounts. This may enable you to make concessional contributions in excess of the annual cap in a future year.

You should speak with a financial adviser to understand how these changes will impact you.