Perpetual Superannuation Limited

TAX DEDUCTIONS FOR PERSONAL SUPERANNUATION CONTRIBUTIONS

CONTRIBUTE TO SUPERANNUATION AND CLAIM A TAX DEDUCTION.

Superannuation is a long-term investment that enables you to grow your wealth, through market and economic cycles, and benefit from compounding investment returns.

By making regular contributions you can take advantage of a range of tax benefits – and the younger you start and the more you contribute, the more you will have to fund your retirement lifestyle.

WHAT ARE THE BENEFITS?

- **Tax-effective** – You can claim a 100% tax deduction for all personal superannuation contributions made within the concessional contribution cap up until age 75 (as long as the work test is met from age 65).
- **Save for a house deposit** – benefit from the concessional tax treatment of superannuation to build a deposit for a first home under the First Home Super Saver Scheme.
- **Better lifestyle in retirement** – By accumulating wealth, you won't have to rely solely on the Government's Age Pension for income in retirement.
- **Grow your retirement savings** – Your money is locked away until retirement which removes the temptation to spend the funds.
- **Tax-free income stream** – Commencing an account based pension with your super, once you meet a condition of release, means income payments are tax-free once you reach 60.
- **Cost-effective insurance** – Insurance offered through super is based on discounted group rates, so it may be better value than taking out the same cover outside super.
- **Tax considerations** – Contributions and earnings are generally taxed at just 15%[1], rather than at your marginal tax rate.
- **Retirement safety net** – Many business owners rely on the sale of their business to provide income for their retirement. Superannuation can provide additional peace of mind if the sale does not meet expectations.

1 Individuals will have to pay an extra 15% tax on some, or all of their 'taxable contributions' if their income, plus 'taxable' contributions are greater than the $250,000 threshold.

HOW MUCH CAN I CONTRIBUTE?

Concessional contributions include employer contributions, salary sacrifice contributions and tax-deductible personal contributions.

You can also make your own after-tax contributions, called non-concessional contributions, provided you meet the conditions of the work test if aged over 65, (worked at least 40 hours in 30 consecutive days).

The amount you can contribute is limited by certain caps, which are set out in the Table below.

CONCESSIONAL CONTRIBUTIONS	CONTRIBUTION CAP
Up until age 75 (work test required from age 65)	$25,000 per annum
NON-CONCESSIONAL CONTRIBUTIONS	**CONTRIBUTION CAP**
Under age 65	$100,000 per annum or $300,000 over three years
Aged 65 to 75 (work test required)	$100,000 per annum

Non-concessional contributions are restricted to individuals with a total superannuation balance[2] below $1.6 million on 30 June of the previous financial year. The 3 year bring forward rule may be available depending on your total superannuation balance.

2 Total superannuation balance is generally the withdrawal value of all your superannuation, including any accumulation, transition to retirement and pension accounts.

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HOW DO I CLAIM A TAX DEDUCTION ON MY PERSONAL CONTRIBUTIONS?

To claim a tax deduction for your contribution or part of your contribution, a notice of intent to claim or vary a tax deduction form must be received by Perpetual.

You will automatically be sent a notice asking if you intend to claim a tax deduction at the end of financial year if you made a personal contribution during the financial year. Alternatively at the time of lodging the contribution you can provide a 'notice of intent to claim or vary a tax deduction form' available on our website.

You have until 30 June in the following year after making the contribution to notify us. You will be sent a confirmation that we have received your 'notice of intent to claim or vary a tax deduction'. However if you intend to start a pension, withdraw or rollover your money over the year, please notify us of your intention to claim a tax deduction before you do this.

CASE STUDY

Jocelyn, aged 60, earns $90,000 p.a.

Having recently sold an investment property that has realised a $50,000 net capital gain, Jocelyn would like to put some of the money away for her retirement.

Jocelyn would like to know how tax-effective it would be to contribute $15,000 of the proceeds as a concessional contribution into her super fund.

The following table highlights the benefit to Jocelyn's overall financial position if she contributes $15,000 to her superannuation.

Jocelyn decides to go ahead with this strategy, as she pays $3,600 less tax as a result.

	NO SUPER CONTRIBUTION	SUPER CONTRIBUTION
Assessable Capital Gain	$50,000	$50,000
Contribution to Super/deduction	Nil	$15,000
Less Contributions Tax		-$2,250
Taxable Income	$50,000	$35,000
Tax on Taxable Income	-$19,500	-$13,650
Net Proceeds from Sale	$30,500	$34,100

* Jocelyn's marginal tax rate is 39% (including Medicare levy).

CONSIDERATIONS

- You must be eligible to make super contributions.
- To offset your capital gain, you must make the contribution in the same financial year in which the asset is sold.
- You must ensure you complete the notice of intent to claim or vary a tax deduction form.
- The maximum concessional contribution you can make in 1 year is $25,000.
- Superannuation funds cannot be released until you meet a condition of release.
- If you are varying an earlier notice you must be reducing the amount you previously advised. You cannot increase the amount you are claiming as a tax deduction.
- If you wish to receive the government co-contribution, you will only be eligible for the government co-contribution on contributions that you don't claim a deduction for.
- We recommend you speak to your financial adviser to discuss your personal needs and objectives.

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MORE INFORMATION

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