



Monthly Information Newsletter – Tax & Super

October 2023

Are you eligible to make a personal deductible contribution?

Personal deductible contributions can allow individuals to claim a tax deduction for contributions they have made to superannuation provided they meet certain requirements. So what are these requirements and what should you look out for?

Eligibility requirements

You will be eligible to claim a deduction for your personal superannuation contributions if:

- You meet the aged based rules
- Your taxable income is more than the amount you want to claim as a deduction (i.e., your deduction can't give you a tax loss)
- You make the contribution to a complying superannuation fund
- You give a special notice to your fund telling the trustee how much you want to claim
- You give your fund that notice within strict timeframes
- Your fund sends you an acknowledgement confirming your notice has been received and is valid

You must meet all of the above criteria otherwise you won't be eligible to claim a deduction for your contributions.

Meeting the age-based rules

If you are between age 18 and 66 when you make your contribution, there are no age-based rules for you to meet. This means there are no age restrictions in order to make a deductible contribution.

If you are aged 67 to 74 when you make your contribution, you can only claim a deduction if you meet the "work test" or the "work test exemption" in that year.

To meet the work test, you need to work for at least 40 hours in a 30-day consecutive period during the financial year and be paid for that work.

Alternatively, the work test exemption can be used if you satisfy all of the following rules:

- You are aged between 67 to 74
- You satisfied the work test in the previous financial year
- Your total superannuation balance was below \$300,000 the previous 30 June (i.e., 30 June 2023)
- You have not made use of the work test exemption in a previous financial year (i.e., it can only be used once).

If you are aged 75 or older at the time you make your contribution, you can only claim a deduction if your contribution was made before the 28th day of the month after your 75th birthday and you met the work test above. For example, if you turn 75 in September 2023, your contribution must be received by your superannuation fund by 28 October 2023. This is a special rule that applies around an individual's 75th birthday.

Unfortunately, once a person reaches age 75, you can no longer make any deductible superannuation contributions. The only contributions that can be made are downsizer contributions, superannuation guarantee contributions or contributions your employer is obliged to make for you under an award.

Timeframes to adhere to

You must give your fund the notice form before the earlier of:

- The day you lodge your personal income tax return for the year in which you made your contribution, or
- 30 June of the following year.

However, certain events may occur which mean you must submit your notice and receive acknowledgement from your fund prior to the above timeframes. For example, you must submit and receive acknowledgement from your fund prior to:

- Withdrawing any funds
- Rolling over to another fund
- Splitting contributions with your spouse, or
- Commencing a pension.

If you do not give your notice to your fund before these events occur, you will lose some or all of the deduction amount.

What happens next?

Once you have told your fund that you want to claim a deduction for your personal contribution, it will count towards your concessional contributions cap. Your fund will then deduct contributions tax of 15% from your contribution.

If you change your mind and no longer want to claim the entire amount as a tax deduction, you can vary your notice to reduce the amount you are claiming, provided you are still within the timeframes mentioned above.

It is also important to claim the deduction in your personal income tax return for the year the contribution was made. If you forget to claim the deduction, your contribution will count towards your non-concessional contributions cap and could cause you to exceed that cap.

As you can see, the contribution rules are complex so if you're thinking about making a personal deductible contribution and not sure if you meet the eligibility requirements, contact us today for a chat.

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