



End of financial year 2020-21 Super strategies

The lead up to 30 June can be a good time to maximise tax benefits that may be available to you inside super.

If you're keen on taking advantage of potential tax benefits available inside super, or are looking at ways to rebuild your retirement savings (for instance, you may have made a withdrawal as part of the early release of super scheme), the lead up to 30 June could be a good time to act.

Certain contributions, which we explore below, may have the ability to reduce your taxable income, or see you pay less on investment earnings, but remember there will be things to consider.

Contributions that could create tax benefits

Tax-deductible super contributions

You may be able to claim a tax deduction on after-tax super contributions you've made, or make, before 30 June this year.

To claim a tax deduction on these contributions, you'll need to tell your super fund by filling out a notice of intent. You'll generally need to lodge this notice and have the lodgement acknowledged by your fund, before you file a tax return for the year you made the 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.

Government co-contributions

If you're a low to middle-income earner and have made (or decide to make before 1 July 2021) an after-tax contribution to your super fund, which you don't claim a tax deduction for, you might be eligible for a government co-contribution of up to \$500.

If your total income is equal to or less than \$39,837 in the 2020/21 financial year and you make after-tax contributions of \$1,000 to your super fund, you'll receive the maximum co-contribution of \$500.

If your total income is between \$39,837 and \$54,837 in the 2020/21 financial year, your maximum entitlement will reduce progressively as your income rises.

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If your income is equal to or greater than the higher income threshold \$54,837 in the 2020/21 financial year, you will not receive any co-contribution.

Spouse contributions

If you're earning more than your partner and would like to top up their retirement savings, or vice versa, you may want to think about making spouse contributions.

If eligible, you can generally make a contribution to your spouse's super fund and claim an 18% tax offset on up to \$3,000 through your tax return.

To be eligible for the maximum tax offset, which works out to be \$540, you need to contribute a minimum of \$3,000 and your partner's annual income needs to be \$37,000 or less.

If their income exceeds \$37,000, you're still eligible for a partial offset. However, once their income reaches \$40,000, you'll no longer be eligible, but can still make contributions on their behalf.

Salary sacrifice contributions

Salary sacrifice is where you choose to have some of your before-tax income paid into your super by your employer on top of what they might pay you under the superannuation guarantee.

Salary sacrifice contributions (like tax deductible contributions) are a type of concessional contribution and these are usually taxed at 15% (or 30% if your total income exceeds \$250,000), which for most, means you'll generally pay less tax on your super contributions than you do on your income.

If you're in a financial position to set up a salary sacrifice arrangement, this needs to be organised before the start of the new financial year, so talk to your employer or payroll division and have the arrangement documented before 30 June.

Important things to consider

- There are limits on how much you can contribute. If you exceed super contribution caps, additional tax and penalties may apply. Read more about what contribution caps apply and changes that will apply next financial year.
- Contributions need to be received by your super fund on time (i.e. before 30 June) if you're planning on claiming a tax deduction, or obtaining other government concessions, on certain contributions when you do your tax return.
- A total super balance cap of \$1.6 million is currently in place when it comes to making non-concessional contributions. From 1 July 2021 that cap will increase to \$1.7 million. If your total super balance exceeds this cap, you will not be able to make non-concessional contributions and may not qualify for certain other government concessions.
- A work test applies if you're over age 67 and wanting to make voluntary contributions – unless you're eligible to use the recent retiree work test exemption.
- There's a limit on how much super you can transfer into a pension and upcoming changes could impact whether you move super savings now or later.
- The government sets general rules around when you can access your super, which typically won't be until you reach your preservation age and meet a condition of release, such as retirement.

Further information

For further information about these strategies and how you may benefit please contact:

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