# How to save tax

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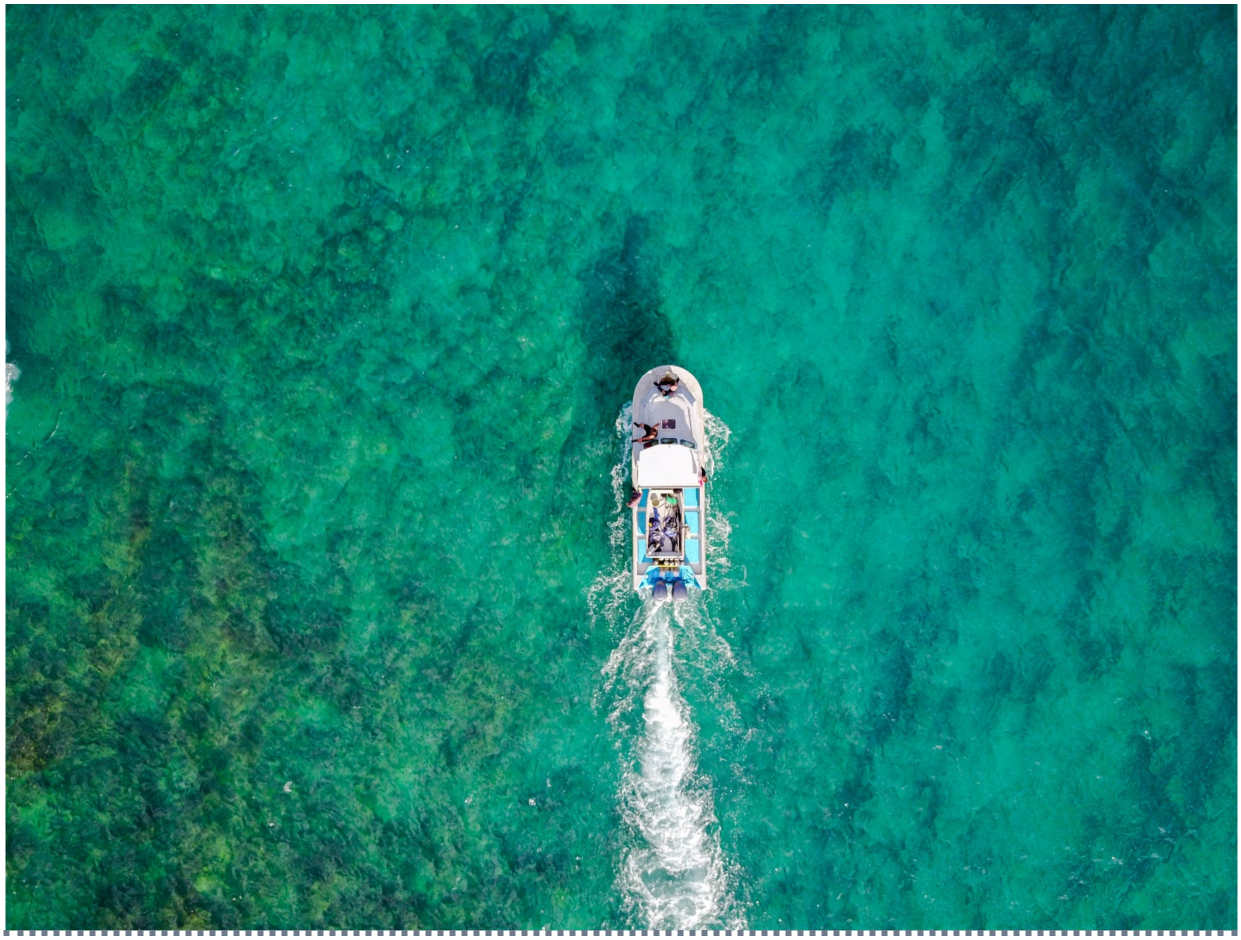
# Super contribution choices for employees



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**If you earn most of your income from employment, you may want to make personal deductible contributions – instead of, or in addition to, salary sacrifice.**

## Super options

**All eligible individuals are able to claim personal super contributions as a tax deduction, even if their sole source of income is from working as an employee.**

**Like salary sacrifice, personal deductible contributions are generally taxed in the super fund at up to 15%[1], instead of your marginal tax rate of up to 47%[2]. So, both options can enable you to boost your super balance and reduce your overall tax.**

**Also, both count to the concessional contribution cap, along with any superannuation guarantee (SG) contributions you receive from your employer. This cap is $25,000[3] in 2020/21 and penalties may apply if you exceed it.**

**Some key differences are that, with personal deductible contributions:**

- you don't have to enter into an agreement with your employer
- you can contribute using available capital from a range of sources, such as your after-tax pay, your savings, a windfall or the sale of assets
- better plan the amount you wish to contribute without exceeding the concessional contribution cap
- you can contribute any time in the financial year, either in regular installments, as a lump sum or both, and
- you can easily increase or decrease the amount you contribute in line with your income and expenses.

# Claiming the deduction

**To claim a personal super contribution as a tax deduction, there are some very important steps you'll need to follow. First, you'll need to submit a valid 'Notice of Intent' form to your super fund and receive an acknowledgement from the fund. You also need to make sure this happens before you complete your tax return, start a pension, or withdraw or rollover the money. Otherwise you may not be eligible to claim a deduction for the full amount you want. Other conditions may also apply. For more information, please visit the ATO website at www.ato.gov.au**

# Which option?

**Personal deductible contributions could be worth considering if:**

- your employer doesn't offer salary sacrifice
- salary sacrifice is available but it reduces other benefits such as holiday pay or leave loading, or
- you want to make a concessional contribution using a bonus or another benefit or entitlement already accrued, and you haven't got the right salary sacrifice arrangement in place.[4]

**Also, personal deductible contributions might be right for you if you want more control over how much you contribute and when the contributions are made.**

**Salary sacrifice might, on the other hand, be a better option if you're not the most disciplined saver. With salary sacrifice, the contributions go straight into super from your pre-tax pay before you get a chance to spend the money.**

**You could even consider using both these options, so you can combine the discipline of salary sacrifice with the flexibility of personal deductible contributions.**

**For example, you may want to arrange to sacrifice some of your pre-tax salary each pay period and make a personal deductible contribution at the end of the financial year when your cashflow and tax position is clearer.**

**You could also time the personal deductible contribution in the lead up to 30 June to make the most of the $25,000 concessional contribution cap.**

# Could you benefit from making personal deductible contributions?

**If you're thinking about investing more in super, we can help you decide whether making personal deductible contributions is right for you. We can also look at what else you could be doing to help you achieve the retirement lifestyle you want.**

1. Individuals with an income from certain sources above $250,000 pa in 2020/21 will pay an additional 15% tax on concessional super contributions within the concessional contribution cap.
2. Includes Medicare levy.
3. Since 1 July 2018, it is possible to accrue unused concessional contribution cap amounts for up to five years. If you meet eligibility criteria, it may be possible for you to make concessional contributions in excess of the annual cap of $25,000. Conditions apply. See **www.ato.gov.au** for more information.
4. This is because an effective salary sacrifice arrangement can only be in respect of benefits or entitlements that you're yet to accrue.

**Important information and disclaimer**

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