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EOFY contributions

Super bright tips for contributions ahead of tax time

Contributing now, in the lead up to 30 June is a brilliant way to benefit from potential tax advantages available inside super. It could also help to grow your super. Certain contributions, which we explore below, could help reduce your taxable income, but remember there will be things to consider.

If you are considering contributing to super

Be sure to submit them via BPAY* or Direct Debit by **3:00pm** on **Thursday 23rd June**. This will allow your contributions to reach us before the end of the financial year. You can find your BPAY details in MemberAccess on your statement, or in the Rest App, or use Direct Debit also available in the App.

Super strategies that may benefit you this EOFY:

Concessional contribution – add to your super and claim a tax deduction

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If you contribute some of your after-tax income or savings into super, you may be eligible to claim a tax deduction. This means you'll reduce your taxable income for this financial year – and potentially pay less tax. And at the same time, you'll be boosting your super balance.

How it works

The contribution is generally taxed at up to 15% in the fund or up to 30% if your annual income is more than $250,000 (including before-tax super contributions). Depending on your circumstances, this is potentially a lower rate than your marginal tax rate, which could be up to 47% (including the Medicare Levy) – which could save you up to 32%.

Once you've made the contribution to your super, you need to send a valid 'Notice of Intent' to your super fund, and receive an acknowledgement from them, before you complete your tax return, start a pension, or withdraw or rollover the money.

Keep in mind that personal deductible contributions count towards the concessional contribution cap, which is $27,500 for the 2021/22 financial year. However, you may be able to contribute more than that without penalty if you didn't use the whole concessional cap in the 2018/19, 2019/20 or 2020/21 financial years and are eligible to make 'catch-up' contributions. To find out how much you can contribute, check the ATO online services (*accessed via* ***myGov***) or for more information on catch up contributions refer to Carry-forward concessional contributions.

Concessional contributions also include all employer contributions, such as Superannuation Guarantee and salary sacrifice.

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Government co-contribution – get up to a

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If you're a low to middle-income earner and have made (or decide to make) an after-tax contribution to your super fund before 1 July 2022, which you don't claim a tax deduction for, you might be eligible for a government co-contribution of up to $500 per year.

If your total income is equal to or less than $41,112 in the 2021/22 financial year and you make after-tax contributions of $1,000 to your super fund and satisfy the eligibility criteria, you'll receive the maximum co-contribution of $500.

If your total income is between $41,112 and $56,112 in the 2021/22 financial year, your maximum entitlement will reduce progressively as your income rises.

If your total income is equal to or greater than the higher income threshold $56,112 in the 2021/22 financial year, you will not receive any co-contribution.

How it works:

The maximum co-contribution is available if you contribute $1,000 and earn $41,112 pa or less. You may receive a lower amount if you contribute less than $1,000 and/or earn between $41,112 and $56,112 pa.

Be aware that total income includes assessable income, reportable fringe benefits and reportable employer super contributions. Other conditions also apply – Check out our Super Facts & Figures or your financial adviser can run you through them.

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Spouse contribution - boost your spouse's super and you could both benefit

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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 per year, 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 annual income reaches $40,000, you'll no longer be eligible, but can still make contributions on their behalf.

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Salary sacrifice - get more from your salary or a bonus

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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 annual income is more than $250,000 (including before-tax super contributions), 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, you may wish to talk to your employer or payroll division and have the arrangement documented before 30 June.

How it works:

Ask your employer if they offer salary sacrifice. If they do, this can be a great way to help grow your super tax-effectively because the contributions are made from your pre-tax pay – before you get a chance to spend it on other things.

Remember salary sacrifice contributions count towards your concessional contribution cap ($27,500 in 2021-22), along with any superannuation guarantee contributions from your employer and personal deductible contributions (you may be able to make catch up contributions, refer to Carry-forward concessional contributions for more information on eligibility). It's important to stay within the caps, or you may have to pay extra tax on excess contributions.

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Non-concessional contribution - convert your savings into super savings

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Another way to invest more in your super is with some of your after-tax income or savings, by making a personal non-concessional contribution.

Although these contributions don't reduce your taxable income for the year, you can still benefit from the low tax rate of up to 15% that's paid in super on investment earnings. This tax rate may be lower than what you'd pay if you held the money in other investments outside super.

How it works:

Before you consider this strategy, make sure you'll stay under the non-concessional contribution cap, which in 2021/22 is $110,000 – or up to $330,000 if you are eligible to 'bring forward' the next two years of non-concessional contributions. That's because after-tax contributions count as non-concessional contributions, and you could pay more tax if you exceed the cap. Click here for more information.

Also, to use this strategy in 2021/22, your total super balance must have been under $1.7 million on 30 June 2021.

Remember, once you've put any money into your super fund, you won't be able to access it until you reach preservation age or meet other 'conditions of release'.

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Downsizer contributions – downsize your home and upsize your super

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People aged 65 (eligibility age is being lowered to age 60 from 1 July 2022) and over

Feedback Download app Get Help Join Rest proceeds from the sale of their home (if it's their main residence) – regardless of their work status, super balance, or contributions history.

How it works:

For couples, both people can take advantage of this opportunity, which means up to $600,000 per couple can be contributed toward super. There are however, potential advantages, rules and other things you'll want to be across, such as:

- You must be aged 65 or older to make a downsizer contribution. (Note: eligibility age is being lowered to age 60 from 1 July 2022).
- The property that's sold needs to have been your (or your spouse's) main place of residence at some point in time, and you need to have owned the home for at least 10 years.
- The sold property must be in Australia and excludes caravans, mobile homes and houseboats.
- A downsizer contribution must be made within 90 days of receiving the sale proceeds.
- A downsizer contribution form must be submitted to your super fund before, or at the time of making your contribution.
- You can't have previously made a downsizer contribution to super.
- You can only transfer a maximum of $1.7 million in super savings (not including subsequent earnings) into a tax-free pension account. Regarding this, important changes are coming, which could affect you.
- Downsizing your home may impact Age Pension eligibility. There is no special Centrelink means test exemption for making downsizer contributions.
- The costs involved in selling a property and buying another one (if that's also on the agenda) can be considerable, so you'll need to take into account any additional property-related costs.
- Downsizer contributions are not tax deductible.

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Carry-forward concessional contributions - access unused amounts from previous years

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Make extra concessional contributions – above the general concessional contributions cap – without having to pay extra tax.

There's a cap on how much contributions can be put into your super at the concessional tax rate each year. The concessional cap has fluctuated over the years but at the moment it's $27,500.

Until recently, your cap was reset every year – so if you didn't use the full concessional cap you lost your entitlement to any unused amount. But if you're eligible, you can now carry forward any unused amount for up to five years (from the 2018-19 financial year) – in essence, you can now make catch-up concessional contributions into your superannuation, by using your unused concessional contributions cap amounts from previous years.

How it works:

- The ability to make a catch-up concessional contribution applies to people whose total superannuation balance was less than $500,000 on 30 June of the previous financial year.
- The five-year carry-forward period started on 1 July 2018 (that is 2018-19 is the first year you can have unused concessional contribution cap amounts).
- Work test rules still apply for people aged 67 or over in 2021-22. (Note: from 1 July 2022 individuals aged 67-74 will be able to make personal contributions and salary sacrifice contributions without meeting the work test (individuals must still meet the work test to claim a deduction for personal contributions).
- The usual notice requirements continue to apply for personal deductible contributions.
- Unused amounts can be carried forward, however expire after five years. For example, a 2018–19 unused cap amount which is not used by the end of 2023–24 will expire.
- Be sure to keep a check on your combined income and concessional contributions as if they are above the $250,000 threshold you will have to pay additional tax on contributions (known as division 293 tax).

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How to make voluntary super contributions

Add a little, or a lot, anyway you want.

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