Resolution Life

Guide for claiming a tax deduction for personal super contributions

Information sheet

This guide explains the rules around the notice of intent to claim a tax deduction for personal super contributions under section 290-170 of the *Income Tax Assessment Act 1997*.

Who can claim a tax deduction?

Are you eligible to claim a tax deduction?

You're eligible to claim a tax deduction on personal super contributions made in the 2021-2022 financial year if:

- you made personal (member) contributions to a complying super fund (Resolution Life's super funds are complying)
- you meet the age restrictions (restrictions apply if you're age 75 or over, or under age 18)
- you've notified your super fund of the amount you intend to claim as a tax deduction
- your super fund has acknowledged your notice of intent to claim a tax deduction and has agreed to the amount you intend to claim as a deduction.
  Note: We'll send you confirmation of the acknowledgement and agreement.

What other requirements apply?

You must also meet these requirements:

- you're still a member of the super fund when your super fund received the notice of intent to claim a tax deduction
- when you give the notice, your super fund has not begun to pay an income stream (eg a pension) based on part or all of the contributions you intend to claim as a deduction
- you haven't withdrawn or rolled out your benefit (except where there has been a successor fund transfer)
- you haven't lodged an application to split the contribution to your spouse, and the application hasn't been rejected
- this notice was received within the required timeframes—the strict deadlines are set out on page 2.

> **!** We suggest you get financial advice to confirm if claiming a tax deduction on your personal contributions is the best strategy for your circumstances.

What you can't claim as a tax deduction

Are there other contributions made to your super account?

You can't claim a tax deduction for the following contributions:

- employer contributions (including salary sacrifice contributions)
- spouse contributions made by you to your spouse's account
- spouse contributions made by your spouse to your account
- rolled-over benefits, government contributions, capital gains tax exempt contributions, transfers from foreign super funds, personal injury contributions or downsizer super contributions
- amounts contributed that were previously released under the first home super saver scheme (FHSSS).

If you intend to claim a tax deduction

How do you claim a tax deduction?

The Australian Taxation Office (ATO) will only allow a tax deduction for personal super contributions if:

1. You've given a valid notice to the trustee of the super fund stating your intention to claim a tax deduction for all or part of the contributions you've made to that fund in a financial year.
2. An acknowledgement of the notice has been provided back to you from the trustee.

The notice must be in a form approved by the Commissioner of Taxation. Resolution Life's notice is an approved form.

If you intend to claim a tax deduction, you must get back to us before the deadlines that are set out on page 2. You can provide a valid notice in the following ways:

- Visit **resolutionlife.com.au** and log in to **My Resolution Life**. Once you're in, select your account and then select **Claim a tax deduction**.
- Complete the enclosed **notice of intent to claim a tax deduction on personal super contributions** form and either:
  - scan and email it to **askus@resolutionlife.com.au**, or

Issue date: 02 June 2022
Resolution Life Australasia Limited ABN 84 079 300 379

– mail it to:

Resolution Life Customer Service
GPO Box 5441
Sydney NSW 2001

Why would you claim a tax deduction?

Claiming a tax deduction for a personal super contribution will reduce your taxable income for tax purposes. For more details, you should speak to your accountant, financial adviser or tax adviser.

When must you submit the notice?

There are strict deadlines for when the notice must be received by the trustee of a super fund. To maximise the amount you can claim as a tax deduction, you must make sure the trustee receives the notice **before** the earlier of:

- the end of the day you lodge your income tax return for the year the contributions were made
- the end of the following financial year—eg by 30 June 2023 for 2021/2022 or by 30 June 2024 for 2022/2023
- you take a full or partial withdrawal from your super account (a partial withdrawal will reduce the amount you may be entitled to claim as a tax deduction, possibly to zero)
- you start an income stream with all or part of the contributions you intend to claim as a tax deduction (starting an income stream means you won't be able to claim a tax deduction for any personal contributions made before the date your pension started)
- you lodge an application with the trustee to split contributions with your spouse.

Important: If your super fund receives your notice after any of these dates or events, then your claim for a tax deduction isn't valid and can't be accepted or acknowledged by the trustee—this means you won't be entitled to claim a tax deduction for the contributions in your tax return.

How much can you claim?

You can't claim a tax deduction for an amount that's higher than your taxable income. However, as long as you lodge a valid notice, the amount you can claim as a tax deduction is not limited by the concessional contributions cap. If you like, you can claim a tax deduction for all personal contributions you've made in a financial year. But, you may need to pay additional tax if you exceed your concessional contributions cap.See example 2 for how this additional tax is calculated.

Note: The personal contributions that you claim (and the ATO allows) as a tax deduction count towards your concessional contributions for that financial year. Any amount of the contribution not allowed (by the ATO) as a deduction is included in your non-concessional cap.

What are the contributions caps?

For 2021-2022, the concessional contributions cap is $27,500 per year.

Members can carry forward any unused concessional contributions cap space amounts from 1 July 2018.

The first year that the concessional contributions cap can be increased by the amount of unused cap is 2021-2022, but only if you have a total super balance of less than $500,000 at the end of 30 June in the previous year. Unused amounts are available for a maximum of five years, and will expire after this.

Any unused concessional contributions cap (which you're eligible to carry forward and use from 2021-2022), means your concessional contributions cap may be higher than the standard cap. Speak to your financial adviser or tax adviser for more details.

For 2021-2022, the non-concessional contributions cap is $110,000 per year. There is no non-concessional contributions cap available for a financial year if your total super balance at 30 June for the preceding financial year is $1.7 million or more.

If you're under age 65, you can bring forward the next two years of non-concessional contributions and contribute up to $330,000 in total over a three year period. But you can only do this if your total super balance is less than $1.7 million at 30 June in the preceding financial year.

If you have a large total super balance (more than $1.4 million as at the previous 30 June), your ability to trigger the bring-forward rules are restricted.

Government co-contributions

What is the impact on government co-contributions?

If you claim your contributions as a tax deduction, you won't be eligible for any government co-contributions for the contributions you've claimed. The ATO will only assess contributions not claimed as a tax deduction for co-contribution eligibility.

What happens after we receive your notice of intent to claim a tax deduction?

What we'll do when we receive your notice

After we receive and process your valid notice, we'll send you a **super fund acknowledgment for receipt of member notice of intent** form. This form confirms the amount you can claim as a tax deduction and is the amount you need to include in your tax return. You should keep this form with your personal tax records.

Note: If there are errors on your notice or we need to confirm any details, we'll contact you before sending you this form.

Can you change the amount you want to claim as a tax deduction?

After you've lodged a valid notice with us, you can't withdraw it—however, you may reduce it to a lesser amount (even down to nil).

If you want to reduce your tax deduction to a lesser amount, you can complete the **notice of intent to claim or vary a deduction for personal super contributions** form available on the ATO website at **ato.gov.au/forms/notice-of-intent-to-claim-or-vary-a-deduction-for-personal-super-contributions/**.

Note: You won't be able to increase the amount with a **variation notice**—you'll need to complete and submit a separate notice for the additional amount.

The same deadlines that apply to the original notice also apply to any variations and additional notices (for more details, see a previous section **when must you submit the notice?**).

Note: If you need to complete a **variation notice** because the ATO disallowed or reduced the deduction you claimed in your tax return, then you can do this at anytime—there's no time limit. However, the variation won't be effective if at that time:

- you're no longer a member of the super fund, or
- the super fund no longer holds the contribution, or
- the super fund has begun to pay a pension.

Amount of tax deducted

How much tax will be withheld on contributions claimed?

We'll generally deduct 15% contribution tax on personal contributions you intend to claim as a tax deduction and it will be shown in your next member statement. We won't deduct contributions tax on any personal contributions that you don't intend to claim as a tax deduction.

If the amount you claim as a tax deduction causes you to exceed your relevant concessional contributions cap, the ATO will send you an excess concessional contributions determination. Any excess amount will be automatically included in your assessable income for that year and taxed at your marginal tax rate, less a tax offset of 15% of the excess amount. Also, you'll be liable for an excess concessional contribution interest charge calculated by the ATO.

Example 1:

Marion is aged 45 and made personal contributions of $27,500 to her super fund in 2021/2022 and received no other contributions during the year. She intends to claim a tax deduction for the full $27,500. If she does this, the ATO will assess her concessional contributions as $27,500—leaving $0 as a non-concessional contribution for the year.

Marion's super fund will deduct 15% contributions tax on the $27,500 personal contributions that she claimed as a tax deduction.

Example 2:

Bob is aged 65 and made personal contributions to his super fund of $110,000 and received no other contributions during the year. If he claims a deduction for $40,000 of his personal contributions in the 2021/2022 financial year, the ATO will assess his concessional contributions as $40,000—leaving $70,000 as a non-concessional contribution for the year.

Bob's super fund will only deduct 15% contributions tax on the $40,000 personal contributions that he claimed as a tax deduction (no tax applies to the remaining $70,000).

Since Bob's concessional contributions cap is $27,500 in 2021/2022 (he is not eligible to use the concessional contributions carry forward provision), his excess concessional contributions total $17,500. Bob lodges his income tax return and has taxable income of $67,500. The excess concessional contributions of $17,500 will be included in Bob's assessable income, which increases his taxable income to $82,500. Bob's marginal tax rate is 32.5% plus Medicare levy of 2%.

As a result, Bob needs to pay extra income tax of $6,037.50 (ie $17,500 x 0.345).

However, Bob is entitled to a tax offset of 15% of his excess concessional contributions which decreases his tax liability by $2,625 (ie $17,500 x 0.15).

By including the excess concessional contributions, Bob's tax liability has increased by $2,625 (ie $6,037.50 – $2,625), and he'll be liable for the excess concessional contributions interest charge on this amount.

For more information on excess contributions tax, visit **ato.gov.au** and search for **super contributions too much can mean extra tax**.

What do we report to the ATO on contributions claimed as a tax deduction?

Super contribution reporting

Like all other super funds, Resolution Life needs to report all personal, employer and other contributions to the ATO. We'll also advise the ATO of your intention to claim a tax deduction on personal contributions. The ATO will review your claim for a tax deduction based on the information you include in your income tax return, supported by the acknowledgement that we send you.

We don't report to the ATO the total of your concessional and non-concessional contributions but we do report the total of the different types of contributions that make up these two categories.

The ATO classifies your contributions as **concessional** and **non-concessional** once they complete your individual contribution cap assessment. They do this based on the information:

- reported by us and your other super funds
- that you include in your income tax return.

Resolution Life and your other super funds don't determine your contributions cap. We report your personal contributions as personal contributions. The ATO then classifies the amount you're claiming as a tax deduction as **concessional** based on the information in your income tax return once they've assessed and allowed the deduction.

Need help?

If you need more information about your eligibility to claim a tax deduction for personal contributions made to your super account:

- Call the ATO on 131 020.
- Refer to the ATO's individual tax return instructions supplement 2020.
- Visit **ato.gov.au** and search for **claiming a tax deduction for personal super contributions**.
- Speak to your accountant or tax adviser.
- Contact your financial adviser.

Please keep this information sheet for your records—don't return it with your completed form(s).

This document is issued by Equity Trustees Superannuation Limited (ETSL) ABN 50 055 641 757, AFSL No. 229757 as trustee of the National Mutual Retirement Fund (NMRF) ABN 76 746 741 299 and was prepared by Resolution Life Australasia Limited ABN 84 079 300 379 (Resolution Life), which is part of the Resolution Life Group.