

## Tax deduction for voluntary contributions

If you are an employee you generally cannot claim a tax deduction for voluntary contributions to your super. People who earn at least 90% of their taxable income from a source other than third party employment may be able to claim a tax deduction.

### Who may be eligible to claim a tax deduction?

You may be able to claim a tax deduction under the *Income Tax Assessment Act* if you earn 90% or more of your taxable income from:

- > self-employment (other than if your business is set up as a company)
- > personal investment activities
- > some other self-funded source

If your business is set up as a private company you are in effect employed by that company. This means you are not self-employed and cannot claim a tax deduction for contributions to LGsuper.

### How much can you claim a tax deduction for?

For the 2010/11 financial year you can claim 100% of your voluntary contributions up to the following before-tax contribution limits:

- > under age 50                      \$25,000 p.a.
- > age 50 and over                \$50,000 p.a. (higher transitional limit applies until 30 June 2012)

Proposed changes from 1 July 2012 will mean over 50s with less than \$500,000 in super will continue to have a \$50,000 limit. Those with \$500,000 or more in super will have a \$25,000 limit.

If you claim a tax deduction for contributions above these limits the excess will be taxed at the top marginal rate (currently 46.5%) instead of 15% contributions tax. The excess will also count towards your after-tax contributions limit.

### Making sure it's right for you

If you earn less than \$37,000 p.a. there may be no advantage in claiming a tax deduction. That's because both your income and any super contributions you claim a tax deduction for would be taxed at 15%. If you are unsure of the implications this might have, be sure to see your accountant or financial advisor.

### How to claim the tax deduction

When we receive a *Voluntary contribution deposit form* and a contribution from you, we will send you a *Notice of intent to claim or vary a deduction for personal super contributions*. If you are eligible to claim a tax deduction, you are required to complete this form and return it to us. Once we have received your form we will send you an acknowledgement of the amount of your deductible contributions and you can then claim this amount through your tax return.

It is not necessary to complete a form each time you make a contribution. Only one form is required each financial year.

We are unable to change the amount of the deduction once we have received your completed form. If, after lodging your tax return, you find the ATO disallows your tax deduction, please contact LGsuper as soon as possible.

### Is the contribution taxed?

Yes, the full amount of any contribution you claim a tax deduction for is taxed at 15% on entry to the fund. If you withdraw the benefit before age 60 there may be tax payable. Contributions you do not claim a tax deduction for are not taxed on entry to LGsuper and would be tax-free on withdrawal.

### Does the co-contribution apply?

Self-employed people are eligible for the co-contribution if they have a total income of less than \$61,920 and make a voluntary contribution to super. This means any amounts you claim a tax deduction for do not qualify for the co-contribution. You could claim a tax deduction for some contributions and also make a voluntary contribution to super (without claiming a deduction) to obtain both. See our *Co-contribution info sheet* for details.

### When can the contribution be accessed?

Any contribution you make to super generally cannot be accessed until you permanently retire after reaching your preservation age. This is between age 55 and 60, depending on your date of birth.

### How will my deductible contributions be invested?

Your contributions will be invested in the default investment option, as outlined in the *Investment choice guide*, unless you have previously selected a different option/s. If you'd like more information on the different investment options available, download a copy of our *Investment choice guide* from our website.

### Any questions?

LGsuper is here to help. Contact us on 1800 444 396 to talk through your options and have your questions answered.

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