

Tax deduction for personal contributions

If you are an employee you generally cannot claim a tax deduction for personal 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 2009/10 financial year you can claim 100% of your personal contributions up to the following limits:

- > Under age 50 - \$25,000 p.a.
- > Age 50 and over - \$50,000 p.a. (higher transitional 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 the 15% contributions tax. The excess will also count towards your after-tax contributions limit.

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 to be completed for 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 personal 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 personal contribution to super to obtain both.

See our *Co-contributions 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?

You contributions will be invested in the same investment option as the rest of your LGsuper benefit. If you wish to change your investment option/s, get a copy of our *Investment choice guide* and switch form.

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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Toll free 1800 444 396
Facsimile 07 3244 4344
info@lgsuper.org
www.lgsuper.org

GPO Box 264
Brisbane Qld 4001

The Queensland Local Government Superannuation Board
ABN 94 085 088 484
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RSE Licence No. L0000178
Local Government Superannuation Scheme
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