

# Fact Sheet

## Making contributions when you're self-employed

#06

In the past, superannuation contributions made by self-employed\* people were not always fully tax deductible, (depending on the amount that was contributed). However, from 1 July 2007, superannuation contributions made by a person who is self-employed, or substantially self-employed, are fully tax deductible.

Contributing to superannuation may have the effect of reducing your assessable income and may provide a tax saving if your assessable income is over \$30,000 per year. This is because self-employed superannuation contributions are concessional tax on entry into the superannuation fund at the rate of 15%, up to a certain limit.

From 1 July 2009, the maximum limit for concessional, (pre-tax) self-employed contributions is \$25,000 per person, per financial year.

There is one exception to this limit, for a five year period. A maximum limit of \$50,000 per person, per financial year will apply to people who are over age 50 at any time during the period from 1 July 2009 to 30 June 2012. However, from 1 July 2012 onwards, the \$25,000 per annum concessional contributions limit (as indexed) will apply for everyone.

Note that this limit applies per person and includes the total concessional contributions that you make to all funds, (if you choose to contribute to more than one fund).

\* You are deemed to be substantially self-employed when 10% or more of your earnings comes from self-employment in carrying on a business, trade, profession or calling which is not an occupation as an employee and does not qualify for Super Guarantee contributions.

### Penalties on exceeding the maximum limits

Any self-employed concessional contributions which exceed the limit will be taxed at the highest marginal tax rate (currently 46.5% including the Medicare levy). Note that any contributions which exceed the concessional contributions cap will be counted towards your non-concessional contributions cap (refer to *Fact Sheet #9*).

It is therefore important for you to understand that you are responsible for keeping track of your super contributions to avoid exceeding the contribution cap/s and paying any penalty tax.

### When can I access contributions?

Concessional superannuation contributions made by self-employed people are generally "preserved" and are accessible once a condition of release has been satisfied, such as reaching preservation age and fully retiring or reaching age 65.

Please refer to *Fact Sheet #3* for details on Preservation and accessing superannuation contributions.

### What else do I need to know?

Some concessional contributions count towards the income tests that determines your eligibility for various Government support benefits as well as the Government co-contribution, the spouse contribution tax offset and self-employed income levels.

These are called Reportable Superannuation Contributions (RSC's). Contributions such as self-employed contributions for which a tax deduction is being claimed, and voluntary employer contributions such as salary sacrifice amounts (which are on top of compulsory contributions) may also be included as RSC's.

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