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Self-employed? You could claim a deduction for saving for your retirement

A recent change to the rules around superannuation means that more Australians may be eligible to claim a tax deduction for putting money into super.

Before June 30, 2017, if more than 10% of your income was sourced from salary or wages from an employer, you were rendered ineligible to claim any tax deduction for after-tax contributions you may have made to your superannuation fund.

But this rule has been removed, effective for the 2017-18 financial year and onwards, so now anyone who puts their own money into super — called personal contributions or (in the lingo of superannuation professionals) non-concessional contributions — may be able to claim a tax deduction for it.

The change means a lot more people, in particular the self-employed, will now be able to put their own money into retirement savings and be able to claim a tax deduction for doing so. Most self-employed people can claim a deduction for after-tax contributions they make until they are 75 years old.

If you're eligible and want to claim a tax deduction, you need to complete a "notice of intent to claim a deduction" form. You can get this from your super fund or the ATO website (or try typing the ATO's form identifier, which in this case is ATO NAT 71121, into an internet search).

Once you complete the form, send it to your fund (and make sure you get an acknowledgment from them). You must do this before the end of the relevant year for which you want to claim the deduction (and with enough time allowed for the exchange of notices). Then you can claim a tax deduction for the payments you made as part of your tax return.

It is important to note however that there is a limit to how much can be contributed. Both types of contributions to super — before-tax ("concessional", such as payments made by an employer) and after-tax ("non-concessional", as mentioned above) — have caps.

Concessional contributions are capped at $25,000 a year, and non-concessional contributions are capped at $100,000 a year. If you exceed the concessional cap, the excess is lumped in with your taxable income and taxed accordingly (there may be an extra charge to make up for the "late" collection of the tax involved).

Exceeding the non-concessional cap can mean that the excess is taxed at 47%. (For the latter, there is a "bring-forward" alternative if you want to contribute more, which is governed by your fund's balance and your age, but ask us if this is a realistic option.)

Also, if you're eligible to claim a tax deduction for your personal super contributions, the amount claimed will count towards your concessional contributions cap.