canberra times: q&a

Q 1: My wife (57) and I (66) have recently sold a property. We will have around $200,000 in net sale proceeds to invest in super. My wife does not work but I work full-time still. Will putting this money into superannuation help reduce any Capital Gains Tax payable on the sale of the property?

Withheld., Canberra

A 1: This strategy involves a number of things to work together for it to be effective and essentially revolves around whether you can claim a tax deduction for a personal contribution made to superannuation. Breaking this down into a number of steps and assuming the property was owned in joint names:

For your wife

1. She would be able to claim a tax deduction for a contribution made to superannuation as she is substantially self employed (ie less than 10% of assessable income is from employment and assuming she has not worked all year).
2. As your wife is less than age 65, then no work test applies, and she would be allowed to make a contribution to superannuation.
3. Under current rules, then maximum contribution your wife would be able to make to super and claim a tax deduction would be $25,000 (note that super guarantee contributions, salary sacrifice contributions and Productivity Payments for Comsuper contributors form part of the $25,000 limit).
4. Note that as your wife is not working, and depending upon any other investments in her name, she may have very little assessable income. As such, there may be no real benefit in claiming a large tax deduction for a super contribution. The benefit of this will need to be assessed in your wife's particular situation.

For you

1. As you are 65 years of age or over then the work test applies to determine whether you are able to make a contribution to superannuation. (This appears to be satisfied as you have worked more than 40 hours in a month during the 2012/2013 financial year).
2. You need to then determine whether you would be able to claim a tax deduction for a contribution to superannuation. You would need to have less than 10% of assessable income from employment for which you receive super guarantee contribution support. You will need to check your actual situation, but note that total income for this calculation includes other assessable income such as interest, dividends, rent, and capital gains. Depending on your income you may not be able to claim the tax deduction, thus making this strategy not available to you.
3. If you can claim the tax deduction for your super contribution, then again under current rules, then maximum contribution you would be able to make to super and claim a tax deduction this year would be $25,000, less any super guarantee contributions or salary sacrifice contributions.

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This strategy works far better when planning ahead, so that you can sensibly try and time when it is best to sell an investment property (ie just after retirement and in a new financial year) so that you can still make your contributions to super and still claim a tax deduction to reduce the capital gains tax payable as much as possible. A Certified Financial Planner can assist you plan this.

Phil Thompson is a certified financial planner and authorized representative of Rise Financial Pty Ltd (ABN 86350987645), AFSL 311718, an Approved Financial Planning Association Professional Practice. Answers should be used as a general guide only and professional advice should be sought before making investment decisions.

Send your financial questions to phil@risefinancial.com.au

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