

THE WORK TEST: Claiming a tax deduction for super contributions after 67

If you've turned 67 and want to top up your super and claim a tax deduction for doing so, there's one extra hurdle to clear: the work test. It's a simple requirement, but it catches people out, so it's worth understanding when it applies and how to meet it.

What the work test is

The work test requires you to be gainfully employed for at least 40 hours in any 30 consecutive day period during the financial year you make the contribution. "Gainfully employed" means working for payment or reward as an employee or self-employed, in a business, trade or profession. Unpaid work, including volunteering, doesn't count.

The 40 hours needs to be completed over a 30-day window in the financial year. You only need to meet it once in the year.

When it applies

Since 1 July 2022, the work test no longer applies to non-concessional contributions. However, the test still applies if you're aged 67 to 74 and want to claim a tax deduction for a personal contribution. It's the gateway to turning a personal contribution into a concessional (tax-deductible) one. Once you turn 75, you generally can't make personal contributions, except for Downsizer contributions, so deductible contributions are not ordinarily available from 75. However, there is a small window which allows personal contributions received within 28 days after the end of the month you turn 75 to be accepted.

Who checks it?

Your super fund used to ask for a work test declaration before accepting your contribution. Now, the ATO checks at the time you lodge your tax return and claim the deduction. The responsibility sits with you to keep evidence of having met the test. For example payslips, invoices, or a record of self-employed work and hours.

The work test exemption

If you're recently retired and didn't work in the year you made the contribution, you may still claim a deduction using the one-off work test exemption. You must:

- have met the work test in the previous financial year
- have had a total super balance under \$300,000 at the end of the previous financial year, and
- not have used the exemption before.

It's a once-only opportunity, designed to give recent retirees a final chance to make a deductible contribution.

Claiming the deduction

Meeting the work test is only one step. To claim the deduction, you must make the contribution into your super fund and

- Lodge a "notice of intent to claim a deduction" with your fund, and
- Receive an acknowledgment from the fund before lodging your tax return.

Without that acknowledgment, the deduction can't be claimed, even if you met the work test. The deduction also can't create a tax loss, so size the contribution against your taxable income.

The bottom line

If you're between 67 and 74 and planning a personal deductible super contribution, remember the work test. Forty hours of paid work in a 30-day window. Speak to us if you're unsure whether your situation qualifies.

This information has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs.