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Super and the self-employed

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Executive Summary

The self-employed account for around 10% of the Australian workforce. Compared with the broader economy, self-employment is relatively more common within primary production, construction and some service industries, such as real estate.

The self-employed on average tend to be older than employees. Around 20% of the self-employed are aged 60 years and over, compared with 9% of the overall workforce.

On average, the self-employed have lower superannuation balances than employees. The average balance for the self-employed in 2013-14 was $60,916 compared to $88,229. The female self-employed have superannuation balances that on average are around one-third lower than both female employees and the male self-employed.

As well, the superannuation assets of the self-employed are more concentrated in high-worth balances than is the case for employees.

Compulsory superannuation contributions for employees mean that only 7% have no superannuation, whereas almost one-quarter of the self-employed have no superannuation. Many of the self-employed who have some superannuation would have accumulated that when they were an employee at some stage in their working career.

In the run up to retirement (assumed to be ages 60-64 in this report), the self-employed have around half the superannuation of employees. Only 27% of the self-employed aged 60-64 have more than $100,000 in superannuation, compared with almost 50% of employees.

There are substantial variations in superannuation balances for the self-employed with respect to level of qualifications, occupation and the industry in which they operate. Those self-employed with a degree qualification tend to have higher superannuation balances. Around three-quarters of those self-employed with no post-school qualification have no superannuation, or low balances.

The self-employed tend to accumulate more of their non-housing wealth outside of the superannuation system than employees. This includes cash, shares and investment properties. For the self-employed, business assets are also substantial contributors to non-housing wealth.

However, there is substantial variation in the value of non-housing wealth, including business assets. Individuals with lower-value business assets are also more likely to have lower superannuation balances.

Introduction

This ASFA research paper assesses the scale and distribution of the retirement savings of the self-employed. Data on superannuation and the self-employed has been previously published in a 2007 AFSA publication, *The self-employed and saving for retirement* and in March 2014 in the ASFA publication, *An update on the level and distribution of retirement savings*, which provided data in regard to 2011-12.

This paper makes use of new, previously unpublished, data from the Australian Bureau of Statistics (ABS) in its survey of Housing Income and Wealth, 2013-14, as well as other ABS data.

The ABS data reinforces the diversity of retirement savings for both the self-employed and wage and salary earners. It also reinforces significant differences in the saving patterns of the self-employed relative to wage and salary earners. These insights provide valuable information for policy makers, superannuation funds and the broader Australian community.

The paper finds that though some of the self-employed are on track to securing comfortable levels of retirement income, the majority of the self-employed will struggle to achieve this.

Who are the self-employed?

The self-employed account for a substantial proportion (around 10%) of the Australian workforce. This share has declined somewhat over the past two decades, down from around 15% in 1994, reflecting in part the greater tendency for businesses to incorporate. In 2013, there were around 725,000 individuals who were full-time owner-managers of unincorporated businesses.

Table 1: Australia's labour force and the self-employed by industry (main source of income)

Industry	Percentage of total labour force	Percentage of the self-employed
Agriculture, Forestry and Fishing	2.6	7.8
Mining	3.7	0.7
Manufacturing	11.1	4.9
Electricity, Gas, Water and Waste Services	1.8	0.8
Construction	11.7	34.6
Wholesale Trade	4.7	1.5
Retail Trade	9.2	7.0
Accommodation and Food Services	5.7	1.7
Transport, Postal and Warehousing	6.8	6.4
Information Media and Telecommunication	2.4	0.8
Financial and Insurance Services	3.6	1.2
Rental, Hiring and Real Estate Services	1.7	2.0
Professional, Scientific and Technical Services	8.9	11.1
Administrative and Support Services	3.3	6.3
Public Administration and Safety	7.3	0.2
Education and Training	4.3	3.2
Health Care and Social Assistance	5.5	2.9
Arts and Recreation Services	1.7	1.3
Other Services	4.2	5.7

Source: ABS 2013-14 Survey of Income and Housing, Unit Record File.

On an industry basis, self-employment is relatively more common within the primary production and construction industries compared with the broader economy (Table 1).

There is also a number of service industries in which self-employment is relatively more common:

- Professional, scientific and technical services (architecture, engineering, computer systems design, law, accountancy, advertising, market research, management and other consultancy, veterinary science and professional photography)
- Administrative and support services (hiring and placing personnel for others; providing credit reporting or collecting services; arranging travel and travel tours)
- Rental, hiring and real estate services

Although there are many employees in the transport sector, there are also substantial numbers of taxi and truck drivers who are self-employed.

Unsurprisingly, there are few self-employed in the government sector (public administration and safety), and also few self-employed in the mining industry and the utilities sector (electricity, gas, water and waste services).

The self-employed have a larger proportion of males (65%) compared to the overall labour force (54%), though both these proportions have declined somewhat over the past two decades as female participation in the labour force has continued to increase.

The self-employed have an older age distribution than the overall labour force. Around 20% of the self-employed are aged 60 years and over, compared with 9% of the overall labour force. Both these proportions are around double that of two decades ago, as Australians have chosen to stay in the labour force for longer. At the other end of the age distribution, 11% of the self-employed are under 30 years old compared with 28% of the overall labour force. For some categories of self-employment it is necessary to complete trade or professional training before being licensed to provide services.

The self-employed and superannuation balances

Compulsory superannuation contributions in the form of the Superannuation Guarantee largely apply to employees. However, some of the self-employed are covered by the Guarantee due to the reasonably expansive definition of wage and salary earners in the legislation (see Appendix). Also, many individuals who are currently self-employed were previously employees.

The significant tax concessions that apply to superannuation also mean that some self-employed have made voluntary superannuation contributions. The Appendix sets out the various tax concessions and incentives that apply to contributions by the self-employed.

Table 2: Distribution of superannuation balance by employment and gender

		Level of superannuation balance				
		Nil	Low	Middle	High	Overall
		% of Pop'n	% of Pop'n	% of Pop'n	% of Pop'n	% of Pop'n
Male	Self-employed	20.7	42.1	20.6	16.5	100.0
	Wage and salary earners	6.9	42.4	25.1	25.7	100.0
Female	Self-employed	23.2	51.2	17.6	8.0	100.0
	Wage and salary earners	7.6	51.6	25.1	15.7	100.0
Persons	Self-employed	21.6	45.2	19.6	13.6	100.0
	Wage and salary earners	7.2	46.7	25.1	21.0	100.0

Source: ABS 2013-14 Survey of Income and Housing, Unit Record File

Notes: Low balance is less than $40,000, high balance is over $100,000 and middle balance lies between high and low. Percentages are additive across columns.

In general, the self-employed have lower superannuation balances than employees (Table 2). Almost one-quarter (22%) of the self-employed have no superannuation and other self-employed only have superannuation that is related to previously being an employee. For employees, compulsory contributions mean that few (7%) have no superannuation. Those employees with no superannuation are likely to be part-time workers on incomes below the threshold for the Superannuation Guarantee. At the upper end of the distribution of superannuation balances, 14% of the self-employed have superannuation balances greater than $100,000, compared with 21% of employees.

Superannuation balances by age and gender

The self-employed have lower superannuation balances than employees across the entire age distribution (Table 3). The relative balances are more or less constant across age cohorts.

In the run up to retirement (the 60-64 age cohort), the self-employed have around half the superannuation of employees. The average superannuation account balance for self-employed males is around $155,000, whereas the average balance for females is around $85,000. For females in particular, this average figure would provide only a modest retirement income.

Table 3: Average superannuation balance by age and gender

		Self-employed	Wage and salary earners	SE balance as a percentage of W&S balance
Male	25-29	12,671	21,108	60
	30-34	20,621	42,229	49
	35-39	35,139	63,194	56
	40-44	47,304	98,495	48
	45-49	73,776	137,884	54
	50-54	77,577	178,090	44
	55-59	128,456	281,971	46
	60-64	154,883	386,023	40
	All	**69,402**	**110,021**	**63**
Female	25-29	8,411	20,286	41
	30-34	16,769	34,061	49
	35-39	29,357	47,947	61
	40-44	35,872	70,465	51
	45-49	49,026	84,990	58
	50-54	70,814	106,301	67

	55-59	59,150	145,705	41
	60-64	85,551	158,599	54
	All	**44,549**	**63,263**	**70**
Persons	25-29	10,923	20,737	53
	30-34	19,212	38,635	50
	35-39	33,404	56,581	59
	40-44	42,771	85,415	50
	45-49	65,537	112,270	58
	50-54	75,243	142,440	53
	55-59	101,110	217,536	46
	60-64	129,120	287,577	45
	All	60,916	88,229	69

Source: ABS 2013-14 Survey of Income and Housing, Unit Record File

Across age cohorts, the female self-employed have superannuation balances that are around one-third lower than both female employees and the male self-employed. In the run up to retirement (the 60-64 age cohort), the female self-employed have just over one-half of the balances of female employees and the male self-employed.

Distribution of superannuation balances

In general, the superannuation assets of the self-employed are more concentrated in high-worth balances than is the case for employees (Tables 4 and 5). For the self-employed, around 70% of total superannuation assets are held by 14% of the self-employed population. For employees, 80% of assets are held by 21% of wage and salary earners.

At the other end of the distribution of superannuation balances, Tables 4 and 5 show, as previously noted, that a larger proportion of the self-employed have no superannuation, and that this is the case across age cohorts. Indeed, for the self-employed, the proportion that has no superannuation is higher for older cohorts. This may reflect that the older self-employed who may have worked as employees at one point, did so before compulsory superannuation commenced.

Table 4: Distribution of superannuation balances among the self-employed

	Superannuation group							
Age group	Nil		Low		Med		High	
	% of SE Pop'n	% of SE Super	% of SE Pop'n	% of SE Super	% of SE Pop'n	% of SE Super	% of SE Pop'n	% of SE Super
25-29			82.8					
30-34	12.1	0.0	72.9	56.9		32.4		
35-39	14.1	0.0	49.1	19.7	31.3	54.5	5.5	25.8
40-44	17.8	0.0	48.6	21.3	26.3	41.0	7.3	37.7
45-49	21.8	0.0	35.2	7.8	25.5	24.9	17.5	67.3
50-54	20.5	0.0	38.0	8.9	21.5	19.4	19.9	71.7
55-59	21.1	0.0	36.1	6.2	17.9	11.5	25.0	82.2
60-64	29.9	0.0	29.1	3.4	14.0	7.7	27.1	88.9
All	**21.6**	**0.0**	**45.2**	**11.2**	**19.6**	**20.3**	**13.6**	**68.5**

Source: ABS 2013-14 Survey of Income and Housing, Unit Record File

Note: Low balance is defined as less than $40,000, high balance is over $100,000 and (logically enough) middle balance lies between high and low. Percentages are additive across columns.

Table 5: The distribution of superannuation balances among wage and salary earners

	Superannuation group							
Age group	Nil		Low		Med		High	
	% of W&S Pop'n	% of W&S Super	% of W&S Pop'n	% of W&S Super	% of W&S Pop'n	% of W&S Super	% of W&S Pop'n	% of W&S Super
25-29	5.3	0.0	81.0	55.9	12.6	35.6	1.1	8.5
30-34	4.8	0.0	57.3	22.6	32.9	51.6	5.1	25.8
35-39	3.9	0.0	43.6	10.4	38.8	42.3	13.6	47.3
40-44	2.9	0.0	33.8	6.0	37.1	25.2	26.1	68.8
45-49	3.7	0.0	28.9	2.9	31.2	15.3	36.3	81.8
50-54	3.0	0.0	22.7	1.8	34.3	11.9	40.0	86.3
55-59	5.0	0.0	17.0	0.7	26.4	5.2	51.6	94.0
60-64	3.5	0.0	21.9	0.8	25.9	3.8	48.8	95.4
All	**7.2**	**0.0**	**46.7**	**5.5**	**25.1**	**14.9**	**21.0**	**79.6**

Source: ABS 2013-14 Survey of Income and Housing, Unit Record File

Note: Low balance is defined as less than $40,000, high balance is over $100,000 and (logically enough) middle balance lies between high and low. Percentages are additive across columns.

In the run up to retirement, almost 50% of employees have more than $100,000 in superannuation, compared with only 27% of the self-employed.

Broader savings of the self-employed

Taking into account savings vehicles outside of superannuation, the average savings of the self-employed are larger than those of employees (Table 6). However, the average figures mask substantial differences in individuals' savings.

Table 6: Assets of the self-employed and of wage and salary earners

Age group	Employment type	Cash	Shares	Investment property	Superannuation	Business (net)	Non-home net worth
25-29	SE	8,322	1,541	0.0	10,923	17,279	38,065
	W&S	10,592	3,022	3,078	20,737	1,517	38,946
30-34	SE	8,023	1,105	25,847	19,212	168,403	222,590
	W&S	12,853	3,536	2,355	38,635	6,701	64,079
35-39	SE	6,680	4,482	32,322	33,404	90,619	167,506
	W&S	10,406	6,255	4,045	56,581	8,384	85,672
40-44	SE	11,214	3,378	27,026	42,771	70,608	154,997
	W&S	12,700	6,703	12,539	85,415	20,767	138,124
45-49	SE	28,652	50,730	22,830	65,537	231,884	399,632
	W&S	16,377	8,440	10,917	112,270	16,367	164,371
50-54	SE	26,962	11,299	50,848	75,243	228,289	392,642
	W&S	18,978	10,137	13,340	142,440	34,359	219,254
55-59	SE	24,774	13,182	74,969	101,110	234,834	448,869
	W&S	26,796	14,095	17,146	217,536	56,596	332,169
60-64	SE	36,844	18,034	69,494	129,120	110,328	363,821
	W&S	25,307	11,787	8,784	287,577	47,073	380,528

Source: ABS 2013-14 Survey of Income and Housing, Unit Record File

Note: The ABS urges caution in interpreting these figures.

On average, the self-employed have significantly higher non-housing wealth than employees. This is the case for the majority of the age cohorts. Indeed, only the 60-64 age cohort has lower non-housing wealth compared with the corresponding cohort of employees.

Table 6 suggests that the self-employed tend to accumulate more of their non-housing wealth outside of the superannuation system, including in cash, shares and investment properties. For the self-employed, business assets are also substantial contributors to non-housing wealth.

However, average figures do not tell the whole story. As shown in Table 4, superannuation balances vary markedly within age cohorts, from nil balances to balances greater than $100,000. This is also likely to be the case for other savings vehicles — such as cash, equities and property — and thus for total non-housing wealth.

There is also likely to be substantial variation in the value of business assets. For some self-employed individuals, the value of the business might be little more than the market value of a second-hand utility or truck and some tools of trade. For others, it might be the value of an ongoing business worth a million dollars or more. Again, individuals with lower-value business assets are also more likely to have lower superannuation balances.

The longer business assets are held (provided there are significant assets other than goodwill), the greater the sale proceeds are likely to be. As shown by Table 7, the average capital gains tax concession under the small business capital gains tax concession was around $136,000 in 2012-13, while under the concession for small businesses, owned at least 15 years, the average concession was $456,000. As explained in the Appendix to this report, the small business capital gains tax concessions interact with the rules relating to amounts that can be contributed into superannuation.

Table 7: Capital gains tax concessions for owners of small businesses that are retiring, 2012-13

Taxable income	CGT small business retirement exemption no.	CGT small business retirement exemption $	CGT small business 15-year exemption no.	CGT small business 15-year exemption $
Less than or equal to $18,200	435	57,763,443	155	70,170,163
$18,201 to $37,000	670	81,004,215	190	82,567,042
$37,001 to $80,000	1,340	155,192,951	230	95,530,396
$80,001 to $180,000	1,380	184,813,382	200	99,201,557
$180,001 or more	720	139,250,790	95	49,693,056
Total	**4,545**	**618,024,781**	**870**	**397,162,213**

Source: ATO Taxation

Characteristics of the self-employed and superannuation balances

There are significant differences in superannuation balances with respect to the characteristics of the self-employed — their level of qualifications, their occupation and the industry in which they operate. There is a degree of overlap between these categories — for example; professionals would be more likely to have degree qualifications compared with other occupations.

Those self-employed with a degree qualification, or above, tend to have higher superannuation balances compared with other levels of qualification. In contrast, around three-quarters of those self-employed with no post-school qualification have no superannuation or low balances.

Table 8: Number of the self-employed by characteristic and superannuation balance

	Level of super			
	Nil	Low	Middle	High
Highest qualification				
Degree+	36,081	76,835	34,897	40,523
Diploma	18,271	28,695		
Certificate	38,348	127,362	49,625	31,482
No post-school	61,707	89,248	33,108	16,260
Other	1,353	3,887		
All	**155,760**	**326,028**	**141,400**	**98,289**
Occupation				
Managers	25,290	52,963	24,169	21,994
Professionals	26,840	62,597	36,634	36,679
Technicians and Trades Workers	41,333	94,221	33,273	17,323
Community and Personal Service Workers	12,501	29,736	10,161	3,548
Clerical and Administrative Workers	9,110	26,053	10,729	5,690
Sales Workers	9,598	16,262	7,592	2,932
Machinery Operators and Drivers	8,871	15,303	4,464	4,524
Labourers	22,052	27,502	14,376	5,031
All	**155,760**	**326,028**	**141,400**	**98,289**
Industry				
Agriculture, Forestry and Fishing	14,497	15,891	8,763	10,893
Mining				
Manufacturing	11,768	9,027	8,430	2,960
Electricity, Gas, Water and Waste Services				
Construction	30,240	90,394	42,602	13,819
Wholesale Trade	2,723	6,582	3,976	2,547
Retail Trade	13,976	26,730	6,372	7,612
Accommodation and Food Services	4,916	9,696	2,079	2,462
Transport, Postal and Warehousing	9,806	16,004	5,365	2,087
Information Media and Telecommunication				
Financial and Insurance Services				3,308
Rental, Hiring and Real Estate Services		9,873	2,699	
Professional, Scientific and Technical Services	10,930	29,002	19,808	21,993
Administrative and Support Services	14,596	17,509	6,456	7,029

Public Administration and Safety				
Education and Training	6,571	24,662	6,692	4,926
Health Care and Social Assistance	10,927	18,420	14,311	9,159
Arts and Recreation Services	6,230	10,369		
Other Services	15,514	33,293	7,044	3,331
All	**155,760**	**326,028**	**141,400**	**98,289**

Source: ABS 2013-14 Survey of Income and Housing, Unit Record File

Note: low balance is defined as less than $40,000, high balance is over $100,000 and (logically enough) middle balance lies between high and low.

Self-employed managers and professionals account for 60% of the self-employed that have high superannuation balances. Technicians and trade workers account for a further 18% of high superannuation balances.

The industries in which more than 15% of the self-employed have high balances include primary production (Agriculture, forestry and fishing), Wholesale trade, professional, scientific and technical services (for example, lawyers and accountants) and administrative and support services (for example, recruitment agencies). The industries that have the highest proportions of nil and low balances are accommodation and food services (for example, cafes and restaurants) and transport, postal and warehousing (taxi and truck drivers).

Superannuation contributions by the self-employed

Data from the Australian Tax Office (ATO) suggest that a minority (around one-quarter) of the self-employed made tax deductible contributions to their superannuation accounts in 2012-13 (Table 9). Other ATO data reveal that though the self-employed account for 10% of the workforce, they only accounted for 4% of total superannuation contributions in 2012-13. The self-employed also can make additional contributions in the run-up to retirement when their business is sold through provisions relating to the rollover into superannuation of realised capital gains.

Table 9: Aggregate deductions for superannuation contributions by the self-employed

Income bracket	Number claiming	Aggregate amount claimed	Average deduction
Less than $18,201	8,620	$91.6m	$10,630
$18,201 - $37,000	37,910	$436.5m	$11,513
$37,001 - $80,000	66,360	$929.0m	$14,000
$80,001 - $180,000	44,105	$848.4m	$19,235
$180,001+	26,980	$603.1m	$22,353
All	**183,975**	**$2,908.6m**	**$15,810**

Source: ATO Taxation Statistics 2012-13

Given that around 80% of self-employed have at least some superannuation (Table 2), the ATO data suggest that a significant portion of the self-employed make ad hoc superannuation contributions, rather than ongoing contributions — which is generally the case for employees.

Table 8 also shows that deductions made by the self-employed in lower income brackets represent a very large proportion of income. This likely reflects the use of tax minimisation strategies (including the making of superannuation contributions) to reduce the level of reported taxable income.

Average income by age, gender and employment type

Table 10 shows average income for the self-employed and employees in different age cohorts. According to this data, on average, the self-employed have lower levels of income than employees. This is the case for both males and females, and across the majority of age cohorts. However, as discussed in the above section, tax minimisation strategies may be at work, to reduce the level of taxable income.

Table 10: Average income by age, gender and employment type

	Age	Self-employed	Wage and salary earners
Male	25-29	55,756	67,204
	30-34	60,749	84,051
	35-39	132,852	94,006
	40-44	69,643	106,066
	45-49	114,906	104,869
	50-54	76,002	98,168
	55-59	54,885	113,642
	60-64	61,811	93,687
	All	**79,110**	**84,936**
Female	25-29	33,848	55,489
	30-34	40,228	62,761
	35-39	47,258	62,449
	40-44	45,578	68,846
	45-49	50,640	64,554
	50-54	39,361	60,532
	55-59	41,574	58,892
	60-64	35,210	59,340
	All	**41,456**	**55,832**
Persons	25-29	46,340	61,919
	30-34	53,243	74,659
	35-39	107,164	80,286
	40-44	60,190	88,690
	45-49	93,513	85,280
	50-54	62,690	79,464
	55-59	49,606	87,726
	60-64	51,521	78,805
	All	**65,998**	**71,358**

Source: ABS 2013-14 Survey of Income and Housing, Unit Record File

The table also helps explain the disparity in superannuation balances at retirement of men and women. While the average income of males tends to increase over the working life with career progression, the average income figures for females show little increase with age and are much lower on average than for males. This is the case for both employees and the self-employed.

Conclusion

The paper finds that though some of the self-employed are on track to securing comfortable levels of retirement income, the majority of the self-employed will struggle to achieve this.

Australia's superannuation system is less mature for the self-employed than for employees. The majority of the self-employed have nil or low superannuation balances, and do not make regular superannuation contributions despite the availability of tax concessions. Only a small proportion of the self-employed have large superannuation balances. Though the self-employed have savings outside of the superannuation system, such asset holdings are likely to be similarly distributed.

There is considerable scope for superannuation funds to market their products to the self-employed, to build awareness of the benefits of saving through superannuation. This includes the tax advantages compared to other forms of saving.
A substantial improvement in the scale and distribution of superannuation balances among the self-employed will be needed to provide comfortable retirement incomes for the majority of the self-employed. However, leaving it to individuals to decide whether or not to save for retirement leads to less than optimal outcomes for both individuals and the community more generally.

ASFA supports the eligibility of all Australians to save for their retirement. In ASFA's view, employees, the self-employed and those relying on business and investment income all should be included in the compulsory savings arrangements, as well as being able to save on a voluntary basis. Unless and until a group can be exempted unconditionally from later access to the Age Pension safety net, it is the responsibility of all to shoulder part of the burden of planning for future retirement income needs.

APPENDIX

The tax treatment of contributions

Contributions made by the self-employed (who are defined to have no more than 10% of their assessable income from wages or salary) from 1 July 2007 are eligible to be treated in an equivalent way to contributions made by or on behalf of employees. A self-employed person can choose to make a contribution for which they receive the benefit of a personal tax deduction. These contributions are taxed at the rate of 15% when they are received by the superannuation fund. A tax deduction is available for contributions made until the contributor reaches age 75 (subject to a work test at ages 65 to 74). A person who wishes to claim a tax deduction for a superannuation contribution has to notify their superannuation fund by the time they lodge their income tax return or by the end of the following financial year, whichever is earlier.

A self-employed person can also choose to make a non-concessional contribution. This is one that they do not receive a personal tax deduction for but equally is not taxed when it is received by a superannuation fund.

The self-employed also can qualify to roll into their superannuation account proceeds from the disposal of assets that qualify for one of the small business capital gains tax exemptions. These are the small business capital gains tax retirement exemption ($500,000 cap) or the exemption applying to small business assets held for 15 years or more ($1,000,000). Both types of roll-ins are subject to a single lifetime $1,000,000 indexed cap.

A sole trader or a partner in a partnership can use the small business retirement exemption to exempt all or part of a capital gain if:

- the amount chosen to be exempt does not exceed the individual's remaining CGT retirement exemption limit. An individual's lifetime CGT retirement exemption limit is $500,000. The $500,000 limit is reduced by any previous amounts the individual has chosen to be exempt under the retirement exemption.
- the exempt amount is contributed into a complying superannuation fund or retirement savings account (RSA) if the individual was aged under 55 years just before using the retirement exemption. If the individual is aged 55 or more just before choosing to use the retirement exemption, the individual does not have to pay any amount into a complying superannuation fund or RSA.

A small business entity can disregard a capital gain arising from a CGT asset that it has owned for at least 15 years if certain conditions are met. The main conditions are that:

- The basic conditions for small business relief are satisfied
- The entity continuously owned the asset for the 15-year period leading up to the CGT event
- If the entity is an individual, the individual retires in connection with the CGT event and is aged 55 or over or is permanently incapacitated, and
- If the entity is a company or trust, the entity had a significant individual for a total of at least 15 years, during which the entity owned the asset, and the individual who was the significant individual just before the CGT event retires or is permanently incapacitated.

A requirement for retirement is that the individual is aged 55 or over at the time of the CGT event

If the sale of an asset qualifies for the 15-year exemption on the capital gain, the owner has the option of contributing all or some of the total proceeds from the sale to super. The proceeds from the sale will likely exceed the capital gain from the sale. The contribution of the sale proceeds will not be treated as either a concessional or a non-concessional contribution if the contribution does not exceed the person's lifetime CGT cap, which is currently $1.395 million (2015-16)

Limits on contributions

There are limits on the amounts of both concessional and non-concessional contributions that can be made. From 1 July 2007 personal superannuation contributions from an individual's post-tax income (known as undeducted contributions or non-concessional contributions) currently are limited to $180,000 per annum. Currently, people under age 65 are able to bring forward two years of contributions and make a larger contribution of $540,000. Superannuation funds are unable to accept contributions exceeding the relevant cap. The May 2016 Budget contained a proposal to limit non-concessional contributions to a lifetime cap of $500,000, with all non-concessional contributions made since 1 July 2007 included in the calculation of lifetime contributions.

If an individual makes contributions in excess of the cap because they contribute to more than one fund then excess contributions will be taxed at the top marginal rate (plus Medicare levy). This is enforced through funds providing to the Australian Taxation Office (ATO) details of all contributions received.

For the 2015-2016 year, and for the 2014-2015 year, the general concessional contributions cap is $30,000 while the special concessional contribution cap for over-50s is $35,000. The special over-50s cap specifically applies to those aged 49 years or over as at 30 June 2015 (for the 2015-2016 concessional contributions cap). The May 2016 Budget contains a proposal to reduce the concessional cap to $25,000 a year. There is also a proposal to allow carry forward of unused concessional cap amounts.

A self-employed person is required to quote her or his tax file number in order to make contributions.

Between age 65 and 74 an individual can only contribute if they have been gainfully employed for at least 40 hours in a period of not more than 30 consecutive days during the same financial year in which the contributions are made. From age 75 onwards the self-employed are unable to make contributions on their own behalf. Employees can receive the benefit of Superannuation Guarantee employer contributions at any age but cannot make voluntary contributions from age 75.

Currently a person must meet a work test to contribute to super if they are between age 65 and under 75. From age 75, a person is not permitted to make personal or voluntary employer contributions to super and therefore may not contribute the sale proceeds to super. The May 2016 Budget contains a proposal to remove the work test for those aged 65 to under 75.

The co-contribution and the self employed

From 1 July 2007 the self-employed join employees in qualifying for the government co-contribution if they make a personal (undeducted, non-concessional) contribution into a superannuation fund. An income test applies. Ten per cent or more of total income must be from eligible employment, running a business, or combination of both. The contributor must be aged less than 71 in the year in which the contribution is made. The co-contribution is available for any person who receives total income from employment or self-employment and earns less than $50,454 a year in the 2015-2016 financial year, and makes a non-concessional (after-tax) contribution to their super fund. Eligible members earning $35,454 or less per year will have each dollar of their personal contributions matched by $0.50 from the government, up to a maximum entitlement of $500. For those on incomes over $35,454 per annum the benefit works on a sliding scale, phasing out at an income of $50,454 per annum.

The co-contribution is legislated to cease in regard to contributions made after 1 July 2017. The May 2016 Budget proposes that the co-contribution is replaced by a new Low Income Superannuation Tax Offset which would have a similar impact.

The self-employed and the Superannuation Guarantee

Industrial award based superannuation in the late 1980s and the introduction of compulsory superannuation in 1992 in the form of the Superannuation Guarantee has led to the great bulk of Australians in the paid labour force having some or a significant level of superannuation savings. However, the minority of Australians who are self-employed do not generally fall within the coverage of the Superannuation Guarantee (SG) compulsory superannuation system. The reason for this is that the SG system only applies to individuals who receive more than $450 in wages or salary. This includes individuals who are employed by a company owned or controlled by the individual.

The Superannuation Guarantee also covers a person who works under a contract that is wholly or principally for their labour. This means that a contractor may be considered an employee under the superannuation guarantee. This is the case even if the individual concerned quotes an Australian Business Number (ABN). The Australian Taxation Office website (www.ato.gov.au) has further details.

Research undertaken by Tria Partners suggests that in 2012 over 50,000 individuals missed out on more than $240 million Superannuation Guarantee contributions in total because of sham contracting arrangements.

Many persons who are currently self-employed were an employee at some stage, or might be an employee at some stage in the future. However, intermittent involvement in the labour force as an employee is not a recipe for significant superannuation savings courtesy of the Superannuation Guarantee.