

## Untaxed Fund

- **After age 60 years** if taken as an income stream - taxable at MTRs less a 10% tax offset on the full pension income.  
As a lump sum, tax of 15% is payable up to \$1 100 000 and at the top of the MTR on any excess.
- **Under age 60 years** if taken as an income stream all income is taxed at MTRs without 10% income tax offset until age 60.
- **Between 55 and 60** if taken as a lump sum 15% tax is payable up to low rate threshold and 30% on excess to \$1 100 000. The top MTR applies to any further excess.
- **Under age 55 years** a tax rate of 30% applies up to \$1 100 000 and the top MTR to any excess.

## Death Benefit Payments - taxed source

A lump sum death benefit to a dependant of the member is tax free. If the benefit is paid to a non-dependant or to the member's estate, tax of 15% applies to the taxable component. No tax applies to the Tax Exempt component.

If paid as an income stream and the member was aged at least 60 years at death, the payment would be tax exempt to a reversionary beneficiary. If less than 60 at the time of death it would be taxable at MTRs, allowing for any deductible amount and the 15% tax offset would apply to the remainder of the income, unless or until the reversionary was aged 60 years.

If paid to a dependant child the above would apply only until the child was 25, unless the child was permanently disabled, when the balance would be paid as a lump sum tax free. If the payment is made to a child who satisfies the definition of disability, the payments can continue indefinitely.

If the payment is made as an income stream, even if it had not been commenced at the time of death, the above applies.

## Death Benefit Payments - untaxed source

**To a non-dependant**, taxable component to \$1 100 000 taxed at 30% and excess at top MTR.

**To a reversionary**, member 60 years or more - MTRs with 10% offset. Member less than 60 - 10% offset will not apply.

Pensions cannot revert to non-dependants and only lump sums can be paid if applicable.

**The Medicare Levy applies to all assessable lump sums.**

PO Box 1339 Fyshwick ACT 2609, Tel: (02) 6280 9977

Tollfree: 1800 020 110

E-mail: [NICRI@nicri.org.au](mailto:NICRI@nicri.org.au)

Websites: [www.nicri.org.au](http://www.nicri.org.au)

<http://moneymap.nicri.org.au>

<http://reversemortgage.nicri.org.au>

<http://redundancy.nicri.org.au>

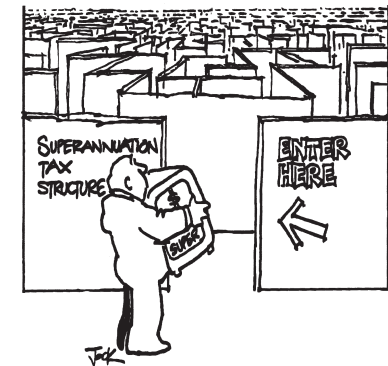
The National Information Centre on Retirement Investments Inc (NICRI) is an independent organisation funded by the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs. NICRI provides a free independent source of investment information for consumers and works at arms length from Government and the financial services industry.

THIS PUBLICATION IS INTENDED AS A GUIDE ONLY AND IS NOT IN ANY WAY AN ENDORSEMENT OF ANY PRODUCT MENTIONED. READERS SHOULD NOT RELY ON THIS INFORMATION ALONE AS A BASIS FOR MAKING AN INVESTMENT. LAST REVIEWED 23/10/09



National Information Centre on  
Retirement Investments Inc.

# Superannuation Tax Considerations



[www.nicri.org.au](http://www.nicri.org.au)

<http://moneymap.nicri.org.au>



## Super - Tax Considerations

Superannuation as a form of long term saving can be a contentious and confusing issue to many people. In our publication '*Introducing Superannuation*' we addressed in broad terms the basis of superannuation without going into the more complex issues of taxation.

In this publication we explain the tax treatment of the income of superannuation funds as well as possible tax implications when members access their accrued benefit. Amounts quoted relate to the financial year.

### Taxation of contributions

**Non Concessional Contributions (NCC)** - nil tax on entry to the fund

- **Personal contributions** - contributions for which an income tax deduction is not claimed
- **Spouse Contributions** - see section *Spouse Contributions*
- **Government Co-contributions** - see section *Government Co-contributions*

Non concessional contributions are limited to \$150 000 per year until 30 June 2010. People under 65 can bring forward 2 years contributions and contribute up to \$450 000 provided the contribution is made by their 65th birthday.

From 1 July 2009 non-concessional contributions will be limited to six times the concessional contribution amount per financial year.

**Concessional Contributions** - taxed on entry to the fund at 15%

- **Salary Sacrifice** - made by employees, subject to agreement with their employer from pre tax foregone future income, reducing the tax from their marginal tax rate (MTR) to 15%

- **Employer contributions** - these include contributions under an award, superannuation guarantee and voluntary employer contributions
- **Self employed and unsupported persons** - whose income as an employee is less than 10% of their total income can claim a tax deduction for contributions to super. The amount claimed as a deduction is taxed at 15% in the hands of the fund.

From 1 July 2009 concessional contributions will be limited to \$25 000 per member. This is indexed to Average Weekly Ordinary Times Earnings (AWOTE) but the indexation only applies when it has reached \$5 000. For those aged 50 years or more the limit is \$50 000 up until 30 June 2012. From 1 July 2012 the limit will be \$25 000.

Superannuation surcharge tax was abolished from 1 July 2005 but any accrued liability is payable on retirement, or in some cases, when changing employment.

### Taxation of fund earnings

- Earnings of the fund are taxed at up to a maximum rate of 15%.
- Imputation credits are refunded to the fund.
- Two-thirds of capital gains are assessable income - 10% effective rate of tax on realised gains.

### Government Co-contributions

A Government co-contribution is available to eligible contributors at a maximum rate of 100% of NCCs of up to \$1 000. This reduces on a sliding scale to nil once the contributor's assessable income plus reportable fringe benefits (RFB) exceed an annually specified amount.

## Spouse Contributions

An 18% tax offset is allowable on contributions up to \$3 000, made on behalf of a spouse whose assessable income plus RFB is less than \$10 800. The rebatable contribution reduces by \$1 for each additional dollar of income plus RFBs to nil at \$13 800. Contributions on behalf of a spouse over 65 and less than 75 years can only be made subject to their satisfying the work test.

### Taxation on Cashing Benefits

Two components make up a superannuation benefit - a Tax Exempt component and a Taxable component. The makeup of the benefit and the member's age determine the tax payable, if any, on withdrawal.

Superannuation funds are either 'taxed' or 'untaxed' funds which also affects the tax liability of the member on withdrawal of a lump sum or payment as an income stream.

### Taxed Fund

- **After age 60 years** no tax is payable whether taken as a lump sum or income stream.
- **Under age 60 years** no tax is payable on the Tax Exempt component.
- **Between 55 and 60** no tax is payable up to the low rate threshold on the taxable component. Tax at 15% is payable on the excess. If taken as an income stream a proportion of income relating to the Tax Exempt component is deductible and the balance taxed at MTRs with this portion of the income having a 15% tax offset.
- **Under age 55 years** tax at 20% is payable on whole taxable component.