# how your super is taxed

This document summarises the main Federal Government taxes that apply to superannuation at the time of publication. For more information, contact Catholic Super on **1300 655 002** or the Australian Taxation Office (ATO) on **13 10 20** or at **ato.gov.au**.

Superannuation taxation is complex. You should consult your accountant or financial planner if you need taxation advice or personal financial advice.

## Tax on contributions

### Concessional (before tax) contributions

A tax of 15% applies to concessional (i.e. before tax) contributions paid to your super account. Concessional contributions include Superannuation Guarantee contributions, salary sacrifice contributions and any personal contributions by a self-employed person for which a tax deduction is claimed.

### Concessional (before tax) contribution caps

All concessional contributions are capped at $25,000 per year, regardless of age.

### Excess concessional contributions

If you go over the concessional cap, your excess contributions will be included in your assessable income and taxed at your marginal tax rate (plus an interest charge).

To assist you in paying the additional tax bill, you may release up to 85% of the excess concessional contributions from your super fund. You can only release up to 85% because 15% contributions tax has already been paid by your super fund.

Released contributions will no longer be counted as non-concessional contributions. You will receive a 15% tax offset for this in your tax return.

### Non-concessional (after tax) contributions

No tax is paid on non-concessional (i.e. after tax) contributions paid to your super account that are below the cap. Non-concessional contributions include personal after-tax contributions and spouse contributions.

### Non-concessional (after tax) contribution caps

For personal and spouse contributions (non-concessional contributions):

- Anyone under the age of 65 can contribute up to $100,000 per year into superannuation (or can contribute up to $300,000 in one year under the 'bring forward' rule).
- Anyone over the age of 65 can contribute up to $100,000 per year into superannuation (subject to meeting a work test).

You can bring forward any unused non-concessional cap amounts for up to a total of three financial years. Read our **Making contributions** document available at **csf.com.au/super-pds** for more information.

### Excess non-concessional contributions

If you exceed the maximum non-concessional cap, you may choose to withdraw the contributions in excess of the non-concessional contribution cap plus 85% of any associated earnings.

The associated earnings withdrawn are taxed at your marginal tax rate. You will also be entitled to a 15% non-refundable tax offset of the associated earnings included in your assessable income.

If you choose not to withdraw your excess non-concessional contributions, they will remain in your super account and your excess non-concessional contributions will be taxed at 45% (plus the Medicare & Temporary Budget Repair levies).

### Spouse contributions

In some circumstances the contributing spouse may be eligible for a tax offset of up to $540 on the superannuation contribution to their spouse's account. The full offset is available if the receiving spouse's assessable income, reportable fringe benefits, and reportable employer contributions are $37,000 or less per year. This offset reduces if the receiving spouse's assessable income exceeds $37,000 and stops when their income reaches $40,000.

For tax purposes, spouse contributions are treated as:

- tax-free (but investment returns on these amounts will be taxed), and
- not subject to the 15% contributions tax.

### Government co-contribution

You do not pay tax on any government co-contribution received.

### Claiming a tax deduction on personal contributions

If you make personal super contributions, you will have the option to claim a tax deduction.

This will allow you to have the flexibility to make concessional contributions either via salary sacrifice (if allowed by your employer) or personal tax-deductible contributions. This flexibility could assist you with:

- end of year super top-ups by making personal concessional contributions to use up any remaining concessional contribution cap
- deciding how to contribute bonuses, annual leave and long service leave
- contributing lump sum leave payments received upon termination of employment tax-effectively.

After claiming a tax deduction on your personal contributions, concessional contribution caps will apply to the amount claimed.

### Higher tax on concessional contributions for very high income earners

Members with income exceeding $250,000 (not indexed) are subject to an additional 15% tax on part or all of their non-excessive concessional contributions.

The definition of income used to determine whether a client must pay an additional 15% tax on all or some of their concessional contributions include:

- taxable income
- reportable fringe benefits
- low tax contributions
- total net investment loss.

### Taxation of transfers or rollovers

You do not pay any tax when you roll over or transfer your super benefit within the Australian superannuation system, unless the super benefit includes an untaxed post-June 1983 component, in which case a 15% tax is payable on the untaxed component.

### Taxation of investment earnings

Investment earnings in super funds are taxed at a maximum rate of 15%, with capital gains taxed at a discounted rate of 10% where assets are held for 12 months or longer. Where assets are invested in shares, the tax payable can be partly offset by franking credits and foreign tax credits. Tax is deducted from the investment earnings before they are allocated to members' accounts and is included in the calculation of unit prices.

### Taxation of benefits

The tax payable on the withdrawal of money from your super account depends on your age, the amount of benefit, the components of the benefit, and how you intend to use the benefit.

### Withdrawals – 60 years of age and over

If you are 60 or older, your superannuation withdrawal or retirement benefit from your Catholic Super account will be tax free, whether it is taken as a lump sum or as a pension. There is no limit on the amount of superannuation that can be taken tax free at age 60 or over. You will not be required to include superannuation benefits and pension payments in your tax return.

## Withdrawals – under 60 years of age

If you are under age 60, tax may be deducted when you are paid a benefit from Catholic Super. The amount of tax deducted from your benefit depends on a number of factors, such as:

- the nature of the benefit (i.e. retirement, death, disablement, or resignation)
- your age when you withdraw the benefit
- the preserved or non-preserved components
- whether you take your benefit as a lump sum, retain it in the Fund, use it to purchase a pension, or transfer it to an approved deposit fund, another approved arrangement, or to your new employer's superannuation fund.

Catholic Super will deduct the appropriate amount of tax (including the Medicare levy) before paying you a benefit in cash.

Catholic Super will send you written confirmation showing the breakdown of your benefit into its tax components as a result of a request by you to either rollover your benefit to another super fund or to make a partial or full cash withdrawal.

Lump sums will have two components - a tax free and a taxable component.

The tax free component, which includes personal after tax member contributions and an allowance for superannuation benefits arising from employment under the old tax rules (i.e. before July 1983), is not subject to tax.

The taxable component is tax free up to the low rate threshold ($200,000 for the 2017/18 financial year and indexed from time to time) and amounts above the threshold are taxed at 15% (plus the Medicare levy). If you are under preservation age, the rate of tax for the taxable component is 20% (plus the Medicare levy).

If you would like a calculation of the tax payable on your benefit, please contact Catholic Super on **1300 655 002**.

## Death benefits

No tax is paid on death benefits which are paid to a dependant as defined in the tax legislation (i.e. a spouse, a child less than 18 years of age, a person with whom the deceased had an interdependency relationship on the date of death, or any other person who was a financial dependant of the deceased on the date of death).

In this context, 'spouse' means a legal or de facto husband and wife and includes same-sex couples, and 'child' includes eligible children of same-sex couples.

The taxable component of a lump sum paid to a non-dependant is taxed at 15% (plus the Medicare levy), but part of the benefit may be taxed at up to 30% (plus the Medicare levy) if it includes insurance proceeds. The tax free component will be tax free if paid to a non-dependant.

The taxation of a death benefit paid as a pension depends on the ages of the beneficiaries. For more information, contact Catholic Super on **1300 655 002**.

## Anti-detriment payments

Where a death benefit is paid to a dependant as defined in the tax legislation, a refund of contributions tax may also be available (often equal to 17.65% of the deceased's taxable component). This refund is known as an anti-detriment payment.

However, all superannuation funds will no longer be able to pay anti-detriment payments where the deceased died on or after 1 July 2017. If a member died prior to 1 July 2017, a fund can still make an anti-detriment payment on or after 1 July 2017, as long as the payment is made before 1 July 2019.

## Total and permanent disablement benefits

Total and permanent disablement benefits are taxed as a lump sum benefit, with both taxable and tax free components. The amount of tax payable depends on a number of factors, including your age when you become disabled.

## Income protection benefits

Income protection benefits are generally taxed at your marginal tax rate. Catholic Super will deduct this tax before the benefit is paid to you and remit it to the Australian Taxation Office (ATO).

## Terminal illness benefits

If you suffer from a terminal illness, a lump sum superannuation benefit can be paid to you tax free. To be eligible for the tax free benefit, you must supply Catholic Super with current medical certificates from two registered medical practitioners (one being a specialist) which certify that death from the injury or illness is likely to occur within twenty-four months of the certification.

Note that although terminal illness benefits are tax free similar to death benefits, they are not eligible for anti-detriment payments.

### Early release of benefits

Benefits paid before preservation age will be divided into tax free and taxable components.

The tax free component, which includes personal after tax member contributions and an allowance for superannuation benefits arising from employment under the old tax rules (i.e. before July 1983), will be tax free.

The taxable component will be taxed at up to 20% (plus the Medicare levy).

If a partial benefit is paid, you will not be able to indicate whether you want the benefit taken from your exempt component or your taxable component.

Instead, the benefit is divided pro rata between the tax free and taxable components based on the total benefit.

## Departing Australia Superannuation Payment

You can claim a Departing Australia Superannuation Payment (DASP) from your super fund if all of the following apply:

- you accumulated superannuation while working in Australia on a temporary resident visa issued under the Migration Act 1958 (excluding Subclasses 405 and 410)
- your visa has ceased to be in effect (for example, it has expired or been cancelled)
- you have left Australia
- you are not an Australian or New Zealand citizen, or a permanent resident of Australia.

**Note:** If you are a New Zealand citizen leaving Australia permanently, you may be able to transfer your super to New Zealand under the Trans-Tasman Retirement Savings Portability scheme for individuals.

A final DASP tax will be withheld from your payment when it is made. The payment may be made up of two components – a tax-free component, and a taxable component.

The DASP tax rates that will be applied to the payment are:

- 0% for the tax-free component
- 38% for a taxed element of a taxable component.

If you are a Working Holiday Maker (WHM), the tax rate for DASP will be 65% from 1 July 2017 where both the following apply:

- you hold or have held a 417 or 462 visa and your DASP includes super contributed for you while working under either of these visas
- DASP is paid to you on or after 1 July 2017.

The 65% rate will apply to your total DASP amount, including any super you may have earned while working under a different visa.

## Tax file number

New superannuation accounts will have all employer and salary sacrifice contributions taxed at the top marginal rate if you do not provide Catholic Super with your Tax file number (TFN). Personal contributions cannot be accepted at all without your TFN being provided. It is therefore very important that you provide us with your TFN when you join Catholic Super.

Unless you specifically request otherwise, your employer is required by law to provide your TFN to Catholic Super.

You can advise us of your TFN on your member application at the time of joining. If you're already a member, you can provide your TFN to Catholic Super:

- online by logging in to MyLife Online at **csf.com.au/mylifeonline**
- in writing by downloading, completing, and returning the *Tax File Number (TFN) Notification* form available at **csf.com.au/forms-publications**, or
- over the phone on **1300 655 002**.

Catholic Super is authorised under the Superannuation Industry (Supervision) Act 1993 to collect and use your TFN, for specific purposes (including identifying and consolidating super benefits, paying benefits, for surcharge purposes and for other approved purposes).

Your TFN will also be disclosed to another superannuation provider if your benefits are being transferred, unless you inform us in writing that you don't want us to pass on your TFN.

It is voluntary to quote your TFN and it is not an offence if you choose not to quote it. However if you don't provide your TFN, or don't tell us you are exempt from providing it:

- all employer and salary sacrifice contributions made to your super account will be subject to additional tax
- we must deduct tax at the highest marginal rate plus the Medicare levy, from any withdrawals made from your super account (you may later be able to reclaim the additional tax from the ATO upon quoting your TFN)
- you may find it more difficult to keep track of your superannuation benefits.

If you do not have a TFN, call the ATO on **13 10 20**.

**If you need any assistance, contact our Service Centre**

→ **1300 655 002**

→ **info@csf.com.au**

The information in this document is dated 1 July 2017 and forms part of the Member and Employer Guide Product Disclosure Statement issued by CSF Pty Limited dated 1 October 2016.