How is your super taxed?

Want to know more about your super and the way it's taxed?

We're here to help! After all, we want to help you retire the way you want to, and one of the best ways to ensure that happens is to arm yourself with knowledge.

The Government provides incentives in the way of tax breaks to help grow your super over time. However, your super might be subject to tax at three stages: contributions going into your account, investment earnings and when you withdraw your money.

Here, we'll cover the facts you should know about taxation in super.

Do we have your Tax File Number?

No one likes paying more tax than they have to, so please make sure we have your Tax File Number (TFN).

If we don't have your TFN the ATO will make us deduct 47% on all your concessional contributions and, we won't be able to accept any non-concessional contributions from you.

Providing your TFN is optional, but it could save you a lot of money. If you decide to give us your TFN, we'll only use it for lawful purposes such as tracking down any lost super for you, calculating any tax payable on contributions or payments, reporting to the ATO, co-contribution matching, providing it to another super fund or Retirement Savings Account provider if you've rolled your super out.

These purposes may change in the future if required by law.

Contributions

Concessional contributions are sometimes called 'before-tax contributions' because the contributor can usually claim an income tax deduction. They include:

- Compulsory super guarantee contributions made by your employer
- Salary sacrifice contributions
- Any personal contributions for which you notify us of your intention to claim as an income tax deduction.

Concessional contributions are taxed at 15% in the super fund.

Level 11, 105 St Georges Terrace, Perth, Western Australia 6000
T/ 08 9480 3500 F/ 08 9480 3501 Country Call/ 1300 99 85 42

PO Box Z5493 St Georges Terrace, Perth, Western Australia 6831
E/ info@wasuper.com.au

wasuper.com.au

If you exceed your concessional contributions cap, the excess contributions are included in your taxable income. You will receive a non-refundable tax offset equal to the 15% tax paid by your fund on this amount.

Non-concessional contributions are generally after-tax contributions. They include personal contributions you make from your after-tax pay. They aren’t usually taxed, but if you exceed your non-concessional contributions cap a tax of 47% applies to the excess.

From 1 July 2012, individuals with income greater than $300,000 will have the tax concession on their contributions reduced from 30% to 15% (excluding the Medicare levy).

The definition of 'income' for the purpose of this measure will include taxable income, concessional superannuation contributions, adjusted fringe benefits, total net investment loss, target foreign income, tax-free government pensions and benefits, less child support. If this is likely to affect you, we suggest you seek advice from a Financial Planner. See the Australian Tax Office website for details.

Investment earnings

Investment earnings are taxed at up to 15%. Tax payable on earnings from Australian and International shares may be reduced by imputation credits and foreign tax credits. Capital gains tax of 10% is payable on any investments held for more than 12 months. Investment earnings tax is deducted before crediting rates are applied to your account.

Income protection benefits

Income protection benefits are regarded as taxable income and attract PAYG (the same tax that applies to your salary or wages). The tax will be deducted and remitted to the ATO before you receive the benefit. If we do not have your TFN any income protection benefits will be taxed at the highest marginal tax rate plus the Medicare Levy.

Tax offset

If you make contributions on behalf of your spouse (married or de facto) who is earning a low income or not working, you may be able to claim a tax offset.

You will be entitled to a tax offset of up to $540 per year if you meet all of the following conditions:

- The sum of your spouse's assessable income, total reportable fringe benefits amounts and reportable employer superannuation contributions was less than $13,800
- The contributions were not deductible to you
- The contributions were made to a superannuation fund that was a complying superannuation fund for the income year in which you made the contribution
- Both you and your spouse were Australian residents when the contributions were made

- When making the contributions you and your spouse were not living separately and apart on a permanent basis.

Withdrawals

If you're 60 or over, you can withdraw your super as either a lump sum or an income stream and not pay any tax.

If you are under 60, your benefit consists of two components – a tax-free and a taxable component.

Age	Amount of tax payable
60 and over	Nil
55 to 59	Tax-free up to $195,000 and up to 17% on any excess amount
Under 55	Up to 22%

A tax-free component is the part of a benefit that is tax-free and does not count towards your assessable (or taxable) income.

A taxable component is the part of the benefit that is taxable. It may include two parts - one where tax has been paid and one where tax has not yet been paid. These are called taxed and untaxed elements respectively.

To work out how your super payout is taxed, you only need to understand how the taxed and untaxed elements of the taxable component are taxed. The tax-free component is not taxable.

- A taxed element is the super that has already had tax paid on it in the fund. It may or may not need to have additional tax paid on it once it is paid out. You may still need to include the taxed element in your tax return.
- An untaxed element is the part of your payout that hasn't had any tax paid on it in the fund, but which is still taxable. It must be included in your tax return as assessable income.

Tax on death benefits

Death benefits are tax-free if paid to a dependant. A dependant includes any of the following:

- Your spouse (including legal, de facto and same sex couples)
- Children under 18 (including step, adopted and your spouses' children)
- Any person who was financially dependent on you are the time of your death
- Any person who was in an interdependency relationship with you at the time of your death
- An interdepe live together and persona

- An interdepe
  the other req
  psychiatric d

Maximum tax rate for lump sums paid to non-dependants:

- Taxed element of the benefit -15% plus Medicare levy
- Untaxed element of the benefit - 30% plus Medicare levy

Anti-detriment payments

WA Super offers anti-detriment payments. This means that upon your death, if your beneficiary receives a lump sum death benefit payment, they will effectively receive a refund of all contributions tax paid on your superannuation contributions while you have been a member of the fund.

To be eligible for an anti-detriment payment, the beneficiary must be a spouse, former spouse or child at the time of your death. This anti-detriment payment will be made automatically to beneficiaries who meet the eligibility requirements at the time the lump sum death benefit payment is made.

Anti-detriment payments are not made if the death benefit payment is taken as an income stream and any terminal illness benefit payments are not eligible for anti-detriment payments.

Tax on terminally ill payments

Terminally ill persons who suffer from a 'terminal medical condition' are able to receive lump-sum super payments tax free.

Tax on TPD benefits

If you receive a TPD benefit and you are age 60 or more, you can access the benefit tax free. If you are under 60, part of your normal taxable component will be recalculated to form part of the tax free component. Generally the tax free component is increased to reflect the period where you would have been expected to be gainfully employed had the disability not occurred. This amount is calculated based on your age, length of service and the amount of your benefit.

Tax deductions

Employers, self-employed and substantially self-employed (i.e. no more than 10% of accessible income is generated by wages or salary) individuals can claim a full tax deduction on all concessional contributions.

Whilst the tax deduction can be claimed for an unlimited amount of contributions, remember that amounts exceeding the annual contribution limits are taxed at the top Marginal Tax Rate.