Tax on super

Super exists to provide a concessionally taxed environment for retirement savings. For most people, having money in super compares favourably to other investments. There's a myriad of tax rules applied on contributions into super, on earnings inside super, and on benefits paid out of super. We'll help you understand the basics and navigate some of the more complex areas.

Tax on contributions

If you make a contribution from your after-tax pay, your contribution is not taxed when you pay it into your super (your pay office has already taken PAYG tax out). This is also known as a non-concessional contribution.

If you make a contribution from your before-tax pay (known as salary sacrifice), your contribution is taxed at 15%. For example, if you make a $100 contribution from your before-tax pay, that contribution is taxed at 15% so $85 actually goes into your super. This is also known as a concessional contribution.

The 15% tax also applies to any contributions your employer makes for you, including Superannuation Guarantee (SG) contributions. The SG legislation requires employers to make compulsory contributions on behalf of employees. The current SG rate is 10% of salary, and will increase to 10.5% on 1 July 2022.

Note for high-income earners

If your income exceeds the threshold of $250,000 pa your concessional contributions are taxed at 30%. Your income includes your taxable income and concessional superannuation contributions.

If your income excluding your concessional contributions is under $250,000 pa but your concessional contributions mean you exceed the threshold, then the 30% tax rate applies only to the amount of concessional contributions that is above the threshold. Concessional contributions under the threshold are taxed at 15%.

Tax benefits

Spouse contributions and tax offset

If your spouse's assessable income is less than $40,000 pa, you may be able to claim a tax offset on up to $3,000 of after-tax contributions you make on their behalf. The maximum offset available is $540.

As well as the offset, by making spouse contributions you can also take advantage of two low-rate thresholds.

See our *Spouse contributions* factsheet.

Tax deduction for concessional contributions

You can claim a tax deduction for personal contributions you make towards your super. These contributions will then count towards your concessional cap for the financial year. This tax deduction is available until you turn 75 as long as you meet the eligibility criteria.

Contributions for which you intend to claim a deduction are taxed at 15%. If you intend to claim a deduction for your contributions to the fund, you must advise the fund of your intention before 30 June and before you lodge your income tax return.

Government co-contribution

The Government's co-contribution scheme is an easy way to help your super savings grow. If you're an eligible low or middle-income earner and eligible for the scheme, the Government will make a co-contribution of 50c for every $1 of personal contributions you put into super (which you don't claim a tax deduction for), up to a maximum co-contribution of $500 a year. All you have to do is make an after-tax contribution and lodge your tax return. Go to **ato.gov.au/super** for information about the eligibility criteria for receiving a Government co-contribution.

Low-income super tax offset

Under this scheme, the Government offsets the 15% tax paid on concessional contributions for eligible individuals earning less than $37,000 p.a. The maximum offset available is $500 p.a. and is paid by the ATO as a contribution into your super account if you are eligible.

While it's invested in the fund

The maximum tax payable on super investment earnings is 15%. If your super fund can claim franking credits or access CGT discounts, the rate could be less than 15%. For earnings on non-super investments, you could pay up to 45% (plus Medicare levy or any other Government levy) in tax. Paying less tax on your super earnings means you have more money invested, making the most of the compounding effect of investment.

Tax on your super benefit

The tax on your benefit depends on a number of factors including your age, the amount of the benefit, your employment or membership start date, whether tax deductions were claimed for contributions, and the type of benefit (eg retirement, disability, or death).

Superannuation components for tax purposes are 'tax-exempt' and 'taxable'. The table on the next page summarises the components that may make up your retirement benefit.

Tax treatment of lump sum components

Contribution type	Components	Tax treatment
Non-concessional contributions	Tax-exempt	Tax free
Concessional contributions	Taxable	**Under preservation age** Taxed at 20%[1] (plus Medicare levy) **Preservation age to age 59** Tax-free up to $225,000[2] and the balance is taxed at 15%[1] (plus Medicare levy) **Age 60 and over** Tax free

[1] These rates apply only to the taxed element of a superannuation benefit. This table ignores any untaxed element (if applicable)

[2] This is the Low Rate Cap amount which sets the amount of taxable components (taxed or untaxed elements) of a super lump sum that can receive a lower (or nil) rate of tax. For the financial year 2021-22, the cap is $225,000. This will increase to $230,000 for the financial year 2022-23. The low rate cap amount is indexed in line with AWOTE, in increments of $5,000 (rounded down).

Death benefits

Tax payable on death benefits varies according to who receives the benefit and how it is paid. Lump sum death benefits are tax free when paid to a spouse (same sex or opposite sex), a child under the age of 18, any person financially dependent on you, or in an interdependent relationship with you.

Lump sum payments made to non-dependants will be taxed as ordinary lump sums—the taxable component of the benefit will be taxed at 15% (plus Medicare levy).

Terminal illness benefits

Terminal illness benefits are tax free.

Total and permanent disablement (TPD) benefits

If you receive a TPD benefit at age 60 or over, the benefit is tax free.

- Generally, if you are under age 60, the part of the benefit representing service up to the date of disablement is taxed as a lump sum (see the table above).
- The part of the benefit that relates to projected service from the date of disablement to age 65 is tax free if you qualify for invalidity under tax legislation.

The tax treatment is different under age 60 if the benefit is taken as an income stream.

Preservation

The Government's preservation rules mean that you generally cannot access your superannuation benefit until you retire. Even if you are working after reaching retirement age you can take out a non-commutable income stream with some or all of your super.

You may keep your benefits in your super fund indefinitely, taking out as little or as much of your benefits as you choose after reaching a release criteria.

Tax file number (TFN)

The information in this fact sheet assumes that you have provided your TFN to the Fund's trustee. You don't have to provide it but, if you choose not to, you could end up paying more tax than you need to. In addition, we will not be able to accept non-concessional contributions on your behalf to the fund.

If you would like to provide your TFN, you can:

- do it online log in at smartmonday.com.au
- complete and return a *Tax file number notfication* form (available on our website)

It all adds up

Done today
Smart easy actions

Positive actions
Grow your wealth

Brighter futures
Someday starts today