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 9.5% of salary.

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 rebate is $540 and it applies if your spouse's assessable income is under $37,000 pa. A reduced offset applies for higher assessable incomes up to $40,000.

As well as the offset, by making spouse contributions you can also take advantage of two low-rate thresholds. Same-sex spouses are also eligible for the rebate.

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 you lodge your tax return.

Government co-contribution

If you're earning up to $51,813 pa (in the 2017/18 financial year) and make super contributions from your after-tax pay you may be eligible for a co-contribution from the Government. If you earn less than $36,813 (in the 2017/18 financial year) and make a $1,000 contribution, then you will receive the maximum co-contribution of $500. If you make a contribution less than $1,000, then the maximum co-contribution you will receive will be equal to half of your contributed amount. As your salary increases, the amount you receive will be reduced. If you earn more than the upper income threshold of $51,813, you will not receive a co-contribution.

The lower income threshold is indexed on an annual basis. The upper income threshold is equal to the indexed lower income threshold, plus $15,000 each year. The Australian Taxation Office administers the co-contribution.

See the *Contributions* page on our website.

Low-income superannuation contribution

If you earned less than $37,000 pa in financial years 2012/13 to 2016/17, you may be eligible for a low-income superannuation contribution (LISC) from the Government.

The LISC:

- represents a rebate on the contributions tax paid on concessional contributions received by the fund in the financial year
- is equal to 15% of the total concessional contributions made on your behalf in the financial year
- is subject to a maximum contribution of $500.

The LISC will not be payable in respect of concessional contributions made on or after 1 July 2017. Determinations of LISC will cease at 30 June 2019.

Low-income superannuation tax offset

The low-income superannuation tax offset will replace the LISC from 1 July 2017. If you earn less than $37,000 a year, you will qualify for a Government refund of up to $500 on the 15% tax paid on before-tax contributions to your super. You will receive the refund as a Government contribution to your super.

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 below 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] (exclusive of Medicare levy) **Preservation age to age 59** Tax-free up to $200,000[2] and the balance is taxed at 15%[1] (exclusive of 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 amount applies in 2017/18.

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 or any other Government 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.

Super contributions surcharge

The super surcharge was abolished in the 2005-06 Federal Budget. It was an additional tax on employer and salary sacrifice contributions made before 1 July 2005. If payable, it was on top of the 15% contributions tax that applied to those contributions, and was deducted from your benefit in the fund.

You were liable for the surcharge tax if you were a high-income earner or if you had not given your tax file number to the fund trustee. Assessments for prior year surcharge liabilities will continue to be received as the ATO clears outstanding returns.

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 or
- complete and return a *Tax file number notification* form (available on our website) or
- call us on **1300 880 588.**

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