Reference guide

Tax and super

Issued on 1 July 2018

About this reference guide

THE INFORMATION IN THIS GUIDE FORMS PART OF THE SMARTMONDAY PRIME PRODUCT DISCLOSURE STATEMENT (PDS) DATED 1 JULY 2018 AND THE SMARTMONDAY DIRECT PDS DATED 6 NOVEMBER 2017

This guide provides a summary of how super is taxed based on tax laws current at the date of issue, and some of the rules around contributions.

For tax information relating to any investment you have in the direct investment option (DIO), see the *Direct investment option* guide available at **smartMonday.com.au/resources.aspx**.

Tax on contributions into super

Concessional contributions

Before-tax contributions such as employer Superannuation Guarantee (SG) and any salary sacrifice contribution arrangements you make with your employer are known as concessional contributions. That's because they come out of your salary or wages entitlements before pay-as-you-go (PAYG) tax is deducted and they are taxed at super's lower 'concessional' rate of 15% when the contribution is made to the super fund. A higher rate of 30% may apply if you're a high income earner (see below).

The Government's rules around SG require employers to make compulsory contributions on behalf of most employees. The current minimum SG rate is 9.5% of an employee's ordinary time earnings (OTE) but an employer may choose to contribute a higher amount.

Non-concessional contributions

If you make a contribution from your after-tax pay, your contribution will not be taxed when it goes into your super fund (because your payroll office has already taken PAYG tax out, at your marginal tax rate). This is known as a non-concessional contribution.

From 1 July 2017, everyone under age 75 (including those aged 65 to 74 who meet the work test*) will be able to claim a tax deduction on after-tax contributions. Those contributions will be taxed at up to 15% and will count towards your concessional contributions cap (see next section).

What is your 'Total super balance'?

Your total super balance includes money you have in super accounts, transition-to-retirement pension accounts, and retirement pension accounts.

Additional tax for high income earners (Div. 293 tax)

From 1 July 2017, if your annual income exceeds $250,000 your concessional contributions will be taxed at 30%. Your income includes your taxable income and concessional contributions into super. If your income excluding your concessional contributions is less than $250,000 but your concessional contributions mean you exceed the threshold, then the 30% tax rate will apply only to the amount of concessional contributions that is above the $250,000 threshold. Concessional contributions under the threshold will be taxed at 15%.

Contribution caps

There are limits to the amount of concessional contributions and non-concessional contributions you can make into super.

Concessional contributions cap

The concessional contributions cap for the 2018/19 financial year is $25,000.

Along with before-tax contributions from your employer (including salary sacrifice), any after-tax personal contributions for which you claim a tax deduction are also included in your annual concessional contributions cap. In order for this to occur, you'll need to let us know you're intending to claim a tax deduction on your personal contributions for the year by completing a *Notice of intent to claim a tax deduction* form available on our website at **smartMonday.com.au/resources.aspx** and returning it to us before you lodge your income tax return and before 30 June of the following financial year.

Any contributions which exceed the cap will be included in your taxable income and taxed at your marginal rate by the ATO. The amount of contributions which exceed the cap will also count toward your non-concessional cap (which is $100,000 for the 2018/19 financial year, see next page). You can apply to the ATO to withdraw up to 85% of the excess concessional contributions from your super fund to help pay your income tax assessment.

From 1 July 2018, if your total super balance is less than $500,000 you'll be able to 'carry forward' any unused part of your annual concessional cap amounts for up to five years from July 2019 and use it to make 'catch up' contributions.

* The work test requires you to have worked at least 40 hours within 30 consecutive days in the financial year you make the contributions.

Non-concessional contributions cap

The non-concessional contributions cap is $100,000 for the 2018/19 financial year.

Non-concessional contributions include all personal (after-tax) contributions for which you have not claimed a tax deduction, any spouse contributions and any excess concessional contributions.

If you're under age 65 you can 'bring forward' up to two years of non-concessional contributions (ie total non-concessional contributions of up to $300,000 over a three-year period).

Contributions which exceed the cap will be taxed at the top marginal rate.

From 1 July 2017, you can only make non-concessional contributions if your total super balance is less than $1.6 million as at 30 June of the previous financial year.

Additional incentives and tax benefits

Concessional rate on investment earnings

Investment earnings on your managed investment options in the fund are taxed at the concessional rate of up to 15%.

See the *Direct investment option* guide for tax information relating to any direct investments you may hold.

Tax offset for spouse contributions

If your spouse earns less than $40,000 pa you could be eligible for a tax offset if you make after-tax contributions of up to $3,000 on their behalf. The maximum tax offset available is $540 pa.

Spouse contribution splitting

Depending on your age, splitting contributions with your spouse may reduce your tax liability on lump sum or pension payments. You can split or transfer your concessional contributions to your spouse's super account.

Government co-contribution

The Government's co-contribution scheme is an easy way to help your super savings grow. If you're a low or middle-income earner and eligible for the scheme, the Government will make a co-contribution of 50c for every $1 of personal after-tax contributions you put into super, 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.

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 pa. The maximum offset available is $500 pa and is paid by the ATO as a contribution into your super account.

For more information on contributions see the website at **smartMonday.com.au/contributions.aspx**.

For more information on these and other superannuation incentives see the Australian Taxation Office (ATO) website at **ato.gov.au/super** or call them on **13 10 20**.

Accessing your super benefits and preservation rules

In most cases, access to your super benefit is restricted until you retire or you transition to retirement. Your benefit is made up of three components:

- **Preserved** – super which can only be accessed subject to certain conditions (set out below)
- **Unrestricted non-preserved** – super which can be accessed at any time
- **Restricted non-preserved** – super which in some cases can be accessed when you cease employment.

Your annual benefit statement will show the different components of your super benefit. If you need access to your super, call us on **1300 880 588**.

Generally, you can access the 'preserved' component of your super benefit if you:

- reach age 65
- reach age 60 and leave an employment arrangement
- reach your 'preservation age' (see table) and retire permanently from the workforce
- reach your 'preservation age' and keep working, but choose to access some super under the rules which govern transition-to-retirement
- obtain release on severe financial hardship or compassionate grounds
- are a temporary resident leaving Australia permanently for overseas (conditions apply)
- suffer from an illness or incur an injury that will result in death within a 24-month* period from the date of medical certification
- become totally incapacitated or die.

* See 'Terminal illness' on page 3

Your preservation age is based on your date of birth	Preservation age
Before 1 July 1960	55
Between 1 July 1960 and 30 June 1961	56
Between 1 July 1961 and 30 June 1962	57
Between 1 July 1962 and 30 June 1963	58
Between 1 July 1963 and 30 June 1964	59
1 July 1964 or after	60

Superannuation housing measures

Accessing your super for a deposit on a first home

The Government has recently introduced the First Home Super Saver Scheme, which from 1 July 2018 enables you to withdraw a limited amount of your voluntary contributions for a deposit on your first home. The contributions that you can access are:

- any personal (after-tax) contributions
- salary sacrifice contributions

Up to $15,000 of these contributions made during a financial year count towards the amount that can be released, and the maximum amount of contributions that can be accessed for a deposit on your home is $30,000. Amounts withdrawn (excluding after-tax contributions) form part of your taxable income but are eligible for a 30% non-refundable tax offset when you lodge your income tax return.

To find out more, and to apply for this facility, visit the ATO website at **ato.gov.au/individuals/super/super-housing-measures**.

Downsizer contributions

From 1 July 2018, if you are 65 or older, you'll be able to make a contribution of up to $300,000 into your super after selling your home. This is called a downsizer contribution and is not subject to the normal eligibility rules for contributions. To make a downsizer contribution, you must have entered into the contract of sale on or after 1 July 2018 and owned the home for 10 years or more.

If you're considering a downsizer contribution, we recommend checking the rules and your eligibility on the ATO website at **ato.gov.au/individuals/super/super-housing-measures**.

We also strongly recommend seeking financial advice as this is a major event with potentially wide ranging and permanent consequences for you and your spouse. For instance, the downsizer contribution may impact your eligibility to claim the age pension.

Tax when you take money out of super

Tax may be payable on the taxable component of your benefit depending on your age at the time of withdrawal:

- under preservation age: 20% (plus Medicare levy)
- preservation age to age 59: first $200,000* tax-free and the remainder taxed at 15% (plus Medicare levy)
- age 60 or over: tax-free

* Indexed annually each 1 July in line with AWOTE in increments of $5,000 (rounded down)

Tax on death benefits

Tax on death benefits varies according to who receives the benefit and how it is paid. Lump sum death benefits are tax free if paid to your spouse, a child under the age of 18, or any person who is financially dependent on you, or in an interdependency relationship with you.

Lump sum benefits paid to a non-dependant are taxed at 15% on the taxable component, plus Medicare and any other Government levy.

If a death benefit is paid to your legal personal representative (ie usually an executor of your estate), they will be responsible for withholding the appropriate level of tax for the final beneficiary.

Terminal illness

If you suffer from an illness or injury that could result in death within a 24-month period (commencing from the date of medical certification provided to the trustee) you may be eligible to receive your super benefit even if you don't meet any other preservation requirements. Your benefit will be tax free.

Tax on TPD benefits

Generally if you're under 60 and you receive a TPD benefit, the part of the benefit representing service up to the date of disablement is taxed as a lump sum. The part of the benefit that relates to projected service from the date of your disablement up to age 65 is tax free if you qualify as an invalid. If you're 60 or over the TPD benefit is tax free.

Benefit payments to temporary residents departing Australia

Departing Australia Superannuation Payments (DASP) paid to former temporary residents are subject to withholding tax:

- 0% for the tax-free component
- 35% for a taxed element of a taxable component
- 45% for an untaxed element of a taxable component.

If you're eligible you can apply for your DASP at any time after leaving the country. See the *Temporary residents and superannuation* factsheet available on our website. If you don't claim your benefit within six months of leaving the country, your benefit will be transferred to the ATO as unclaimed monies. You'll then need to apply directly to the ATO to claim your benefit. We are not required to notify you if we transfer your super to the ATO in these circumstances.

Australian and New Zealand citizens are not eligible for a DASP as they have retiring rights in Australia.

Need more information?

The rules around super and taxation are complex and change quite often. There's more information available at:

- *Tax on super* factsheet on our website at **smartMonday.com.au/resources.aspx**.
- The Australian Taxation Office (ATO) on **13 10 20**, or visit **ato.gov.au/super.**
- Another good source of information on super is the Australian Securities and Investments Commission (ASIC) website **moneysmart.gov.au**.

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