

PDS Fact Sheet



The information in this document forms part of the Super Solutions Product Disclosure Statement dated 1st January 2012, Version 4.0.

Tax Facts

Super is generally taxed on contributions, investment earnings and upon withdrawal (depending on your age). But, because the powers that be want us to save as much as possible for retirement, the tax you pay is usually a lot lower than outside of super. This fact sheet gives you a run-down on how your super's taxed.

Tax on contributions

All concessional contributions are tax at 15%. These include all your employer's contributions (compulsory and additional), salary sacrifice contributions and contributions for which you've claimed a tax deduction. Any contributions over the indexed annual limit will be taxed at 46.5%* including the Medicare Levy.

All non-concessional contributions are tax-free up to the annual limit of \$150,000 or (\$450,000 over three years). Non-concessional contributions are mostly personal after-tax contributions. Any contributions in excess of the annual limit are taxed at 46.5%* including the Medicare Levy.

** As at 1 June 2011. Tax rates can change regularly, so call the ATO to confirm these rates are still right.*

Tax on investment earnings

Any 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.

Tax on 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.

Withdrawals

The amount of tax you pay on lump sum withdrawals or payments depends on whether you're under or over 60. Generally if you're 60 or over, you won't pay any tax – that's right, zero tax – on your super regardless of whether you take it as a lump sum or convert it into an income stream because the necessary tax has already been paid on this amount when contributions were made and/or on the investment earnings.

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

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). Otherwise the ATO will make us deduct 46.5% on all your concessional contributions. And, we won't be able to accept any non-concessional contributions from you. It's sort of a double whammy.

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.

the name suggest, you won't pay any tax on the tax-free part, but there are different tax levels for the taxable component (see below for more detail). This table gives you the nutshell version:

Age	Amount of tax payable
60 and over	Nil
55 to 59	Tax-free up to \$165,000 and up to 16.5% on any excess amount
Under 55	Up to 21.5%

All the above tax rates include 1.5% Medicare Levy and are as at September 2011. The Low Rate Cap is indexed to average weekly ordinary time earnings (AWOTE) and rounded down to the nearest multiple of \$5,000.

What's the taxable component?

The taxable component is the amount of your benefit remaining after subtracting the tax-free component.

No tax file number

If we don't have your Tax File Number, you'll have to pay 46.5% tax on any super paid to you, or concessional contributions received by the Fund on your behalf.

Temporary residents

Eligible temporary residents (i.e. not an Australian or New Zealand citizen) permanently leaving Australia, can cash in their super, subject to paying tax of up to 35% (or 45% on any untaxed element). For further information and Application Form contact the ATO.

Flood Levy

The Federal Government's Temporary Flood and Cyclone Reconstruction Levy will impact on certain withdrawal amounts up until 30 June 2012. The Flood Levy will apply to individual taxpayers (who have not been affected by natural disasters) who have a taxable income over \$50,000 as follows:

Taxable Income	Flood levy on this income
\$50,001 to \$100,000	Half a cent for each \$1 over \$50,000
Over \$100,000	\$250 plus 1c for each \$1 over \$100,000

and will apply to the following superannuation benefits:

- » Superannuation lump sums:
 - Member benefit – taxable component – taxed element (member aged less than 60 years);
 - Member benefit – taxable component – untaxed element
 - Death benefit lump sum benefit paid to non – dependants – taxable component - taxed and untaxed element;
 - Rollover super benefits – taxable component – taxed element and;
- » Superannuation income streams
 - Member age 60 or above (untaxed element only);
 - Member aged at preservation age but under 60; and
 - Member under preservation age.

What's the tax-free component?

The tax-free component consists of two parts – contributions and crystallised:

The **contributions** part generally includes personal contributions made from 1 July 2007 for which a personal member hasn't claimed an income tax deduction.

The **crystallised** part includes the following components:

- » Concessional
- » Post 30 June 1994 Invalidation
- » Undeducted contributions
- » Capital Gains Tax (CGT) Exempt
- » Pre 1 July 1983

The value of the crystallised part is calculated by assuming that each of the above components was paid out before 1 July 2007. In other words, the value of each component is frozen as at 30 June 2007.

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 deductions and rebates

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.

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

Tax on lump sum 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 certain 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 are the time of your death;
 - An interdependency relationship exists where two people have a close personal relationship and live together; and one or both of them provides the other with financial support, domestic support and personal care.
 - An interdependency relationship also exists if two people have a close personal relationship and the other requirements are not met because one or both suffer from a physical, intellectual or psychiatric disability.
- » Lump sum benefits consists of a tax-free (i.e. no tax is payable) and taxable component. If paid to a non-dependant, the taxable component is taxed at up to 16.5%^.

Any untaxed element in a taxable component of a lump sum benefit, which includes life insurance, will be taxed at up to 31.5%^. The untaxed element is the amount of your insured lump sum death benefit that relates to the period from the date of death to age 65, in comparison to your total service period.

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. Your adjusted tax free and taxable component will be taxed as detailed in the Withdrawal table.

^Including 1.5% Medicare Levy