

Various tax rebates and deductions are available when you and your employer contribute to your super fund. The income on your benefit is taxed at concessional rates and there are tax concessions given to the eventual benefit you receive. The Government provides these tax incentives to encourage Australian workers to use super as a form of saving for retirement.

## Contributions

**GESB Super** - GESB Super is a taxed fund, so concessional contributions are taxed at 15% at the time the contributions are made to the fund. Concessional contributions include employer contributions, like superannuation guarantee and salary sacrifice, voluntary contributions for which a tax deduction is claimed and rollovers containing an untaxed element.

No tax applies to non-concessional contributions, which include voluntary contributions for which no tax deduction is claimed (i.e. from after tax salary) spouse contributions, and co-contributions.

**Contributions rebate** - Allowable deductions, such as administration expenses and insurance premiums, reduce the tax paid by the fund. This tax benefit is credited to your account as a Contributions Tax Rebate. The rebate is 15% of the administration and insurance fees charged to your account, and is reimbursed on an annual basis and when leaving the scheme.

**West State Super and Gold State Super** - If you are a member of West State Super or Gold State Super, your super is taxed at the time you access your benefit, which is at retirement, or if you transfer your super to a retirement income stream such as GESB's Allocated Pension or another complying fund.

If you make any personal contributions for which no tax deduction is claimed (ie. from after-tax salary), then this amount will be tax free when you access your benefit.

### THE DIFFERENCE BETWEEN A TAXED AND UNTAXED FUND

The main difference is the timing of when tax is deducted, which impacts the tax treatment.

**Taxed fund** - Generally, most super funds deduct the 15% contributions tax as soon as they receive employer contributions.

For example, if \$100 was deposited into your account, only \$85 would get added to the account balance.

GESB Super is a taxed fund.

**Untaxed fund** - Tax is deducted at the time the benefit is paid, which is generally at retirement.

So, if \$100 was deposited into your account, the whole \$100 would remain in the scheme and be taxed when withdrawn.

West State Super and Gold State Super are untaxed.

An untaxed fund will generally provide you with a slightly higher benefit over time for employer or salary sacrifice contributions. However, earnings on any contributions you make from after-tax income, or any super transferred to West State Super, may be taxed on leaving the scheme and that tax may be more than the total tax you would pay under a taxed fund.

### DID YOU KNOW?

An extra 31.5% tax may apply to concessional contributions if you have not provided your tax file number (TFN). It may also mean that GESB can not accept your personal contributions, which will affect your eligibility for the Commonwealth Government's Super Co-contribution payment. While it is not compulsory to provide your TFN, it helps GESB use it for lawful purposes. You can lodge your TFN via Member Online or by calling GESB on 13 43 72.

## Limits on contributions

**GESB Super** - Super benefits you receive from a taxed fund after age 60 are tax free, however, there are caps on the level of contributions that can be made to super funds.

TABLE A – CONTRIBUTIONS CAPS

TYPE OF CONTRIBUTION	CAP	SPECIAL ARRANGEMENT OR TRANSITIONAL RULE
Concessional	\$25,000 pa <sup>1</sup>	Transitional non-indexed cap of \$50,000 pa for persons aged 50 or over (or from turning 50) during the period 1 July 2009 to 30 June 2012
Non-concessional	\$150,000 pa <sup>2</sup>	If aged under 65, you can bring forward 2 years of contributions ie \$150,000 plus \$300,000. If brought forward, the amounts are not indexed

Contributions in excess of the concessional cap are taxed at 31.5%. Any excess concessional contributions also count towards the non-concessional cap. Contributions in excess of the non-concessional cap are currently taxed at 46.5%.

<sup>1</sup> For 2010/11 but indexed to average weekly ordinary time earnings (increased in \$5,000 increments) for future years.

<sup>2</sup> For 2010/11 but indexed at 6 times the concessional cap for future years.

**West State Super and Gold State Super** - West State Super and Gold State Super are untaxed schemes and the limits on concessional contributions (those made by your employer) do not apply, except in relation to contributions splitting with your spouse which is allowed in West State Super.

Limits on non-concessional contributions made to West State Super are the same as in the above table. There are no limits on non-concessional contributions made to Gold State Super.

## Tax Considerations

### TAX ON INVESTMENT EARNINGS

GESB Super - As with most other super funds, GESB Super is required to pay tax on its investment earnings. The tax will generally be applied at a maximum rate of 15% and will be reflected in the unit price of each Investment Plan.

West State Super and Gold State Super - As untaxed funds, no tax is applied to investment earnings. Tax is only payable when you withdraw the benefit as a lump sum, roll your benefit over to GESB's Allocated Pension, or roll over to another complying fund.

### TAX ON BENEFITS

Once your super benefit becomes payable, the tax treatment will depend on your age, how that benefit is paid and whether your benefit comes from a taxed or untaxed fund. The benefit can be paid as a lump sum, on rolling over your benefit to another super fund or taken as an income stream (such as GESB's Allocated Pension).

#### GESB Super

- Lump sum.** If you receive your super as a lump sum, the tax treatment depends on particular components as shown in Table B.
- Roll over your benefit.** If you roll all or any portion of your benefit over to another super fund, no tax will apply at that time.
- Income stream.** If you transfer your super to Retirement Income to receive an income stream, no tax will apply at the time of transfer.

### TABLE B – TAX PAYABLE ON LUMP SUM BENEFITS

If you take your benefit as a lump sum, it is taxed according to the components that make up your benefit. No tax is payable on the tax-free component.

Component	GESB SUPER		WEST STATE SUPER AND GOLD STATE SUPER	
	Age	Tax withheld (including Medicare levy)	Age	Tax withheld (including Medicare levy)
Taxable component – Taxed Element	Aged under 55	21.5%	Aged under 55	21.5%
	Aged 55 – 59	First \$160,000 <sup>1</sup> = 0% Balance = 16.5%	Aged 55 – 59	First \$160,000 <sup>1</sup> = 0% Balance = 16.5%
	Aged 60+	Nil	Aged 60+	Nil
Taxable component – Untaxed Element			Aged under 55	First \$1,155,000 = 31.5% Balance = 46.5%
			Aged 55 – 59	First \$160,000 <sup>1</sup> = 16.5% From \$160,000 <sup>1</sup> up to \$1,155,000 = 31.5% Balance = 46.5%
			Aged 60+	First \$1,155,000 = 16.5% Balance = 46.5%

<sup>1</sup> For the 2010/11 financial year, indexed annually for future years.

### WEST STATE SUPER AND GOLD STATE SUPER

- Lump sum** - Tax is not payable on your benefit until it is paid to you. For most people, this is when they reach the preservation age or meet other conditions of release. If you receive your super as a lump sum, the tax treatment depends on particular components as shown in Table B.
- Roll over your benefit** - If you roll all or any portion of your benefit over to another taxed super fund, you will be taxed on the taxable component – untaxed element by the new fund at a rate of 15% when it is received.
- Income stream** - If you transfer your super to an Allocated Pension to receive your super as an income stream, tax is deducted from your taxable component – untaxed element (see the Retirement Income section).

### TAX ON DEATH BENEFITS

Differing tax treatment will apply upon death. When you die, GESB pays your super to your estate.

Generally, death benefits paid as a lump sum are tax free provided the benefit is paid to a dependant (refer to the relevant Product Information Booklet for the definition of dependant).

The taxable component of death benefits paid to a non-dependant will incur 15% tax on the 'taxed element' and 30% on the 'untaxed element', plus Medicare levy.

# Retirement income streams

Retirement income streams are a tax-effective investment for most retired investors the investment earnings are tax exempt in the fund. If aged 60 or over, no tax will be payable on the income payments you receive. If you are between 55 and 59 part of your income stream may be tax-free, the remainder will be taxed at your marginal tax rates and you may receive a tax offset of up to 15%.

**Transferring from an untaxed fund** - When you transfer your investments into a retirement income stream from an untaxed fund, like West State Super and Gold State Super, the tax applied on the transfer is exactly the same as would be applied if you transferred to any other taxed super fund.

The receiving fund will deduct tax from your taxable component – untaxed element at 15%. There is an untaxed plan cap amount of \$1,155,000 (indexed) per super fund. If your taxable component – untaxed element exceeds this cap, the excess is taxed at 46.5%.

**Transferring from a taxed fund** - If you transfer your benefit from a taxed source, like GESB Super, no tax will apply on transfer.

**Income stream components** - Your income stream may include the following components:

- Tax-free component. This component will not be taxed.
- Taxable component – taxed element. This component will be completely tax free if you are 60 years of age or over. If you are between 55 and 59, marginal tax rates will apply, and a 15% tax offset is available.

Your regular statements will detail the components of your balance.

**Proportioning of income stream payments** - Where you have a tax free and taxable component, each income payment will contain a proportional amount of each component, based on the value of your total super interest (see the 'Retirement Income Allocation Pension' Product Information Booklet for examples).

**Tax on your pension payments** - The tax treatment depends on your age.

**Age 60 and above** - Your regular income stream payments will be tax free and you will not be required to include these payments in your income tax return. This could reduce the amount of tax you pay on your non super investments.

**Between 55 and 59** - Pay as you go withholding (PAYGW) tax will apply at your marginal tax rate on the taxable component of your income stream, less a 15% tax offset. No tax is payable on your tax-free component.

Your tax rate will depend on your total assessable income for the year, as well as other personal circumstances. Similar to when you were working, the tax is deducted from your payments before depositing to your bank account. At the end of the financial year, you'll receive a Payment Summary to submit with your tax return.

**Tax on investment earnings** - Retirement income streams are not required to pay tax on investment earnings. This means that your investment has more growth potential.

## TAX ON DEATH BENEFITS

**Dependant** - Upon death, the tax treatment for your beneficiary receiving your income stream will be:

- Pensioner over 60 – tax rate 0% on the 'taxed element'
- Pensioner under 60, and beneficiary under 60 – taxable portion is taxed at the beneficiary's marginal tax rate with a 15% tax offset available
- Beneficiary over 60 – tax rate 0% on the 'taxed element'.

If the pension is paid to a dependant child, the pension must be paid out as a tax-free lump sum upon the child reaching 25.

**Non-dependant** - The benefit must be paid as a lump sum to your estate, and GESB does not withhold tax in this circumstance.

## Things you need to know

### Crystallisation of benefit components in untaxed funds -

Changes to super from 1 July 2007 mean that any withdrawal from an untaxed scheme, like West State Super or Gold State Super, will trigger the crystallisation of the tax-free and taxable components of a member's current benefit and will take into account any pre-July 1983 service (if applicable). For benefits in taxed funds, such as GESB Super, this crystallisation took place on 30 June 2007.

For members with a Gold State Super account, there may be advantages to rolling over benefits into a West State Super account before withdrawal. However, because the benefits are combined, this will trigger crystallisation of the tax-free and taxable components of both accounts, even if the withdrawal is only being made from one of the member's accounts.

Gold State Super members interested in this option should contact GESB prior to accessing their benefit.

**Superannuation Surcharge** - The Government abolished the Superannuation Contributions Surcharge, backdated to 1 July 2005. This abolition will not affect any surcharge tax liabilities before 1 July 2005. If you are advised by the ATO that you have a Superannuation Surcharge Tax liability, this tax will become payable when you access your Gold State Super or West State Super benefits.

GESB provides a facility for you to make the surcharge payment in a tax-effective manner. You can authorise us to withhold part of your final benefit to meet your surcharge liability. This amount will be deducted tax-free from your final benefit so you can pay your surcharge liability to the ATO. If you wish to take advantage of this facility, complete the relevant section on the Retirement Income Transfer Request form available in the Retirement Income Product Information Booklet.

Further tax information is available from the ATO Superannuation Infoline on 13 10 20 or by visiting [www.ato.gov.au/super](http://www.ato.gov.au/super)

## How to contact us

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