

# Tax and super

The information in this document forms part of the Product Information Booklet for GESB Super and West State Super, each dated 21 November 2011. You should read the information in this document as part of the Product Information Booklet before making a decision.

*The government provides tax incentives to encourage all working Australians to use super as a way of saving for their retirement. Various tax rebates and deductions are available when you and your employer contribute to your super fund. This fact sheet outlines the various areas where tax may be applied to your super. It is important that you understand how tax affects your super.*

## TAXED AND UNTAXED FUNDS

Super funds or schemes are either taxed or untaxed. The main difference between the two is the timing of when tax is deducted, which impacts the tax treatment of the money within your super. At GESB, we manage both taxed and untaxed super schemes:

- GESB Super is a taxed scheme
- West State Super and Gold State Super are both untaxed schemes

## CONTRIBUTIONS

### How will your contributions be taxed?

Contributions are taxed differently depending on whether you are making contributions to a taxed or untaxed fund. The following table outlines how your contributions will be taxed:

Contribution type	GESB Super (taxed fund)	West State Super and Gold State Super (untaxed funds)
<b>Concessional contributions (before-tax)</b> <ul style="list-style-type: none"> <li>• Employer contributions, like Superannuation Guarantee and salary sacrifice</li> <li>• Voluntary contributions for which a tax deduction is claimed*</li> </ul>	Taxed at 15% at the time the contributions are made	Taxed at the time you access your benefit including: <ul style="list-style-type: none"> <li>• Withdrawing your benefit at retirement</li> <li>• Transferring your super to a retirement income stream such as an allocated pension, or</li> <li>• Rolling over to a taxed fund (refer to page 3)</li> </ul>
<b>Non-concessional contributions (after-tax)</b> <ul style="list-style-type: none"> <li>• Voluntary contributions for which no tax deduction is claimed (ie from your after-tax salary)</li> <li>• Spouse contributions</li> </ul>	No tax applies	No tax applies
<b>Other contributions</b> <ul style="list-style-type: none"> <li>• Rollovers containing an untaxed element</li> <li>• Super co-contribution payments</li> </ul>	Untaxed element is taxed at 15% at the time the rollovers are made#  No tax applies	Taxed at the time you access your benefit or rollover to a taxed fund  No tax applies (refer to page 3)

\* Voluntary contributions for which a tax deduction is claimed cannot be made to Gold State Super.

# If your untaxed element exceeds your untaxed plan cap per fund (ie \$1,205,000 for the 2011/12 financial year) then the excess is not subject to 15% tax because the excess gets taxed at the highest marginal tax rate (currently 46.5%) when you rollout of the untaxed fund.

### Your tax file number

An extra 31.5% tax may apply to concessional contributions if you have not provided your tax file number (TFN). It also means that we cannot accept your member contributions. This will affect your eligibility for the Commonwealth Government's Superannuation Co-contribution payment. While it is not compulsory to provide your TFN, it helps us use it for lawful purposes.

You can lodge your TFN via Member Online or by calling your Member Services Centre on 13 43 72 to obtain a form.

## Limits on contributions

There are limits or caps on how much you and your employer can contribute to super each financial year. These limits depend on your age, the type of contribution and type of fund you are contributing to.

All of the contributions you make to any of your super funds in a financial year (with certain exceptions in West State Super and Gold State Super) count towards your contributions caps in the financial year in which they are made to your super funds.

**Table A – Contribution 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.

<sup>1</sup> For 2011/12 but indexed to average weekly ordinary time earnings (increased in \$5,000 increments) for future years.

<sup>2</sup> For 2011/12 but indexed at six times the concessional cap for future years.

Unlike taxed schemes— such as GESB Super, concessional contributions made to West State Super or Gold State Super do not count towards your concessional contributions cap. Instead, there is a cap of \$1,205,000<sup>†</sup> per super fund which applies to the untaxed benefit. This is the amount of taxable component – untaxed element that can be paid or rolled over to a taxed fund and still be subject to concessional tax treatment.

<sup>†</sup> For 2011/12 – indexed annually.

### **i** Important points to remember when making super contributions:

1. If you make contributions to your super over the concessional contribution cap, those excess contributions will be taxed at 31.5% in addition to the 15% contribution tax.
2. Those excess contributions will also count towards your non-concessional contributions cap.
3. If you exceed your non-concessional contributions cap, the amount contributed over the cap will be taxed at 46.5%.

In summary, you will pay more tax if you exceed your contribution caps.

## TAX ESSENTIALS

### 1. Tax on investment earnings

#### a. GESB Super

Taxed schemes like GESB Super are required to pay tax on any 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 for GESB Super.

#### b. West State Super and Gold State Super

No tax is applied to investment earnings for untaxed schemes. Tax is only payable when you withdraw your super upon retirement or when you roll over your benefit to a taxed fund or income stream.

### 2. Contributions Tax Rebate

Taxed schemes like GESB Super are allowed to claim certain tax deductions from its assessable income; this reduces the tax payable by the fund. GESB Super credits this tax benefit to your account as a Contributions Tax Rebate. The rebate is 15% of the administration and insurance fees charged to your account. We reimburse this tax benefit to you annually or when you leave the scheme.

### 3. Tax on benefits

Once your super benefit becomes payable, the tax treatment of your benefit will depend on three things:

- How your benefit is paid
- Your age, and
- The components of your benefit

The benefit can be paid as a lump sum, rolled over to another super fund or it can be taken as an income stream (ie through GESB's Allocated Pension).


The following outlines the tax treatment according to how your benefit is paid to you:

#### a. GESB Super

- Lump sum – If you take your benefit as a lump sum, it is taxed according to the components that make up your benefit and your age at time of withdrawal (see Table B)
- Roll over your benefit – If you roll over all or any portion of your benefit to another super fund, no tax will apply at the time of transfer
- Income stream – If you transfer your super to an allocated pension to receive an income stream, no tax will apply at the time of transfer

#### b. West State Super and Gold State Super

- Lump sum – If you take your benefit as a lump sum, it is taxed according to the components that make up your benefit and your age at time of withdrawal (see Table B)
- Roll over your benefit – If you roll over all or any portion of your benefit 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. However, if you exceed your untaxed plan cap per fund (ie \$1,205,000 for the 2011/12 financial year) then GESB will deduct 46.5% tax on the excess prior to rolling over your money
- Income stream – If you transfer your super to an allocated pension to receive an income stream, tax is deducted from your taxable component - untaxed element. Refer to the 'Tax on retirement income streams' section overleaf.

 See Table B overleaf for more details on taxable components of lump-sum benefit payments.

**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.

	GESB Super		West State Super and Gold State Super	
Component	Age	Tax withheld <sup>3</sup> (including Medicare levy)	Age	Tax withheld <sup>3</sup> (including Medicare levy)
Taxable component – Taxed Element	Under 55	21.5%	Under 55	21.5%
	55 – 59	First \$165,000 <sup>4</sup> = 0% Balance = 16.5%	55 – 59	First \$165,000 <sup>4</sup> = 0% Balance = 16.5%
	60+	Nil	60+	Nil
Taxable component – Untaxed Element			Under 55	First \$1,205,000 = 31.5% Balance = 46.5%
			55 – 59	First \$165,000 <sup>4</sup> = 16.5% From \$165,000 <sup>4</sup> up to \$1,205,000 = 31.5% Balance = 46.5%
			60+	First \$1,205,000 = 16.5% Balance = 46.5%

<sup>3</sup> Plus Temporary Flood and Cyclone Reconstruction Levy where applicable. See page 4 for more information.

<sup>4</sup> For the 2011/12 financial year, indexed annually for future years.

**c. Tax on death benefits - superannuation**

Differing tax treatment will apply upon death. If you die before you withdraw or roll over your super, we pay your super plus an anti-detriment payment\* (if applicable) to your estate. GESB does not withhold any tax as your estate is responsible for paying any relevant taxes. Generally, death benefits paid as a lump sum are tax free, provided the benefit is paid to a dependant. A dependant includes your spouse (including a de facto partner or former spouse), a child aged under 18 (including an adopted child, a step child, or ex-nuptial child), any person who is financially dependent on you, and any person with whom you have an interdependent relationship.

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

**4. Tax on retirement income streams**

- Retirement income streams are a tax-effective investment for most retired investors
- Any investment earnings in the fund are tax exempt
- If you are aged 60 or over, no tax will be payable on the income stream you receive from the fund
- 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 rate. You may also receive a tax offset of up to 15%

The following outlines how tax is applied to your income stream:

**a. Transferring from an untaxed scheme**

If you transfer your benefit to a retirement income stream from West State Super and/or Gold State Super, the tax payable on the transfer is the same as if you transferred it to a 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. However if you exceed your untaxed plan cap per fund (ie \$1,205,000 for the 2011/12 financial year) then GESB will deduct 46.5% tax on the excess prior to rolling over your money.

\* An anti-detriment payment is an additional amount that may be payable in the event of a GESB Super or Retirement Income Allocated Pension member's death. It is available if the death benefit is being paid to a spouse, former spouse or child of the deceased, as a lump sum and it is an additional amount to the account balance of a deceased member. The anti-detriment payment is effectively a refund of the contributions tax paid by the deceased member during their lifetime.

**b. Transferring from a taxed scheme**

If you transfer your benefit from a taxed scheme, like GESB Super, into a retirement income scheme, no tax will apply on transfer.

**c. 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.

**d. Proportioning of income stream payments**

Where you have a tax free and taxable component, each income payment you receive will contain a proportional amount of each component, based on the value of your total super interest. This will be detailed on your statement.

➔ See the Retirement Income Allocation Pension 'Product Information Booklet' for examples

**e. Tax on your income stream payments**

The tax treatment will depend on your age and the components of your income stream payment.

Your age	Tax treatment
60 and above	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	No tax is payable on your tax-free component. The taxable component – taxed element will be taxed at your marginal tax rate <sup>‡</sup> , less a 15% tax offset plus flood levy <sup>^</sup> .
Under age 55	No tax is payable on your tax-free component. The taxable component – taxed element will be taxed at your marginal tax rate <sup>‡</sup> , plus flood levy <sup>^</sup> . No tax offset is available unless the income stream is a disability super benefit.

<sup>‡</sup> The tax is deducted as Pay As You Go Withholding (PAYGW). Similar to when you were working, the tax is deducted from your payments before depositing into your bank account. At the end of the financial year, you'll receive a Payment Summary to submit with your tax return. Your tax rate will depend on your total assessable income for the year, as well as other personal circumstances.

<sup>^</sup> See page 4 for more information

## f. Tax on death benefit income streams

No tax is payable on the tax-free component. The following table outlines the tax treatment of super death benefit income streams paid to dependants:

Age of deceased	Age of dependant	Tax treatment
Pensioner aged 60 or over	Any age	Taxable component - taxed element is tax free
Pensioner below age 60	Above age 60	Taxable component - taxed element is tax free
Pensioner below age 60	Below age 60	Taxable component - taxed element is taxed at the dependant's marginal tax rate, less a 15% tax offset on this amount

## OTHER THINGS YOU NEED TO KNOW

### 1. Crystallisation of benefit components in untaxed funds

Changes to super from 1 July 2007 mean that most partial withdrawals 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. It will also take into account any pre-July 1983 service (if applicable). For benefits in taxed schemes, such as GESB Super, this crystallisation took place on 30 June 2007.

For some Gold State Super members with pre-83 service there may be advantages to rolling over benefits into a West State Super account before withdrawal. Moving from one untaxed scheme, such as Gold State Super, to another untaxed scheme such as West State Super, will not trigger crystallisation. In this circumstance crystallisation of the tax-free and taxable components will occur when funds are withdrawn from West State Super. Gold State Super members interested in this option should contact GESB prior to accessing their benefit.

For more information call your Member Services Centre on 13 43 72. You may also find our fact sheet called 'Understanding your West State Super account' useful, see [www.gesb.com.au/brochures](http://www.gesb.com.au/brochures).

### 2. 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 West State Super or Gold State Super 'Benefit access' form or Retirement Income Allocated Pension 'Application'. 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).

## FLOOD LEVY

### 1. What is it?

The Commonwealth government has introduced a Temporary Flood and Cyclone Reconstruction Levy known as the 'flood levy'. This applies for the 2011/12 financial year only.

### 2. Who pays it?

Individual taxpayers who have a taxable income over \$50,000 in 2011/12 will pay the flood levy.

You will be exempt from paying the flood levy if you have a taxable income of \$50,000 or less, or you have been affected by a declared natural disaster. If you are exempt from paying the flood levy because of a declared natural disaster, you must supply a completed 'Flood levy exemption declaration' form to GESB. This form is available from [www.ato.gov.au/floodlevy](http://www.ato.gov.au/floodlevy).

### 3. How does the flood levy work?

The flood levy only applies to taxable income you earn over \$50,000. If you have a taxable income of \$50,000 or less in the 2011/12 financial year, you will not be charged the flood levy. It is calculated as follows:

Taxable income	Flood levy
\$0 to \$50,000	Nil
\$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

For super lump sums, the flood levy will be an additional payment as part of the tax and Medicare calculation.

#### a. West State Super and Gold State Super

As untaxed schemes the flood levy will apply to any benefit payment to a member irrespective of their age except if:

- The super lump-sum benefit is less than \$200
- It's for a terminally ill benefit payment
- A death benefit is paid to a dependant
- It's a temporary resident payment

#### b. GESB Super

The flood levy will apply to GESB Super benefits where the member is aged under 60 except if:

- The super lump-sum benefit is less than \$200
- It's for a terminally ill benefit payment
- A death benefit is paid to a dependant
- It's a temporary resident payment

The flood levy **does not** apply to GESB Super benefit payments where the member is aged 60 or over.

#### c. Retirement Income Allocated Pension and Term Allocated Pension

Where the member is aged 60 or over, the flood levy does not apply. For any member under 60 and in Transition to Retirement, the flood levy will apply. The 15% tax offset will still be available.

#### d. Public sector pension scheme

As an untaxed scheme, the flood levy applies regardless of the member's age.

## FLOOD LEVY EXAMPLES

### 1. Taxed scheme

#### a. Example 1

Heather is a member of GESB Super and is aged 56. Heather will receive a super lump-sum benefit of \$200,000. The benefit has a tax-free component of \$20,000 and a taxable component of \$180,000. Heather has previously provided her TFN to GESB and has not provided a flood levy exemption declaration. GESB must withhold an amount from the taxable component of \$180,000, including an amount for the flood levy. The taxable component of the super lump-sum benefit paid by GESB is wholly made up of elements taxed in the fund.

Tax calculation for Heather:

Description	Amount payable
Tax and Medicare levy	\$2,475
Flood levy	\$1,050
Total	\$3,525

### Taxed scheme

#### b. Example 2

James is a member of GESB Super and is aged 61. He has decided to retire and take some of his super as a lump-sum. James will receive a lump-sum benefit of \$120,000. The super lump-sum benefit has a tax-free component of \$10,000 and a taxable component of \$110,000. GESB does not need to withhold tax from this benefit payment as James is age 60 or over. Therefore the flood levy is not applicable.

### 2. Untaxed scheme

#### a. Example 1

John is a member of West State Super, aged 57 and has decided to retire. He will receive a super lump sum benefit of \$200,000. The benefit is all taxable-untaxed. John has previously provided his TFN to GESB and has not provided a flood levy exemption declaration to his fund.

GESB must withhold an amount from the taxable-untaxed component of \$200,000, including an amount for the flood levy. The taxable component of the benefit paid is wholly made up of elements untaxed in the fund.

Tax calculation for John:

Description	Amount payable
Tax and Medicare levy	\$38,250
Flood levy	\$1,250
Total	\$39,500

### Untaxed scheme

#### b. Example 2





Bronwyn is a member of Gold State Super, aged 60 and has decided to retire. She will receive a lump-sum benefit of \$350,000. The benefit has a tax-free component of \$40,000 and a taxable component of \$310,000. Bronwyn has previously provided her TFN to GESB and has not provided a flood levy exemption declaration to her fund.

GESB must withhold an amount from the taxable-untaxed component of \$310,000, including an amount for the flood levy. The taxable component benefit paid is wholly made up of elements untaxed in the fund.

Tax calculation for Bronwyn:

Description	Amount payable
Tax and Medicare levy	\$51,150
Flood levy	\$2,350
Total	\$53,500

## How to contact us

 Member Services Centre 13 43 72    Facsimile 1800 300 067    [gesb.com.au](http://gesb.com.au)  
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