

Understanding your account

WEST STATE SUPER

Many West State Super members find its 'untaxed' status confusing; especially those that reach retirement and realise that tax will be deducted from their final lump sum benefit before it is paid. We've created this fact sheet to help you understand some of the details of West State Super's special operating rules that affect the way you access your benefit. For more information, refer to the West State Super Product Information Booklet.

HISTORY

West State Super was the default scheme for WA public sector employees before it was closed to new members in April 2007. However, members contributing to Gold State Super with pre-1 July 1983 service can still join West State Super.

SPECIAL OPERATING RULES

West State Super is a constitutionally protected fund and is tax exempt. This means that tax is not paid on any contributions or investment earnings that your super account receives. The super industry refers to these types of funds as an 'untaxed' scheme.

Tax is payable on your benefit when it is paid to you and therefore it may be more helpful to think about it as 'deferred tax'.

Tax is deferred until benefit is paid or rolled over

Unlike most other Australian super funds, West State Super employer and salary sacrifice contributions are not taxed at 15% when deposited. This means that 100% gets invested in your chosen investment plan rather than 85%. If \$100 is deposited into your West State Super account, the whole \$100 would remain in the scheme. It is only when you access your super benefit as a lump sum or roll over your benefit to a taxed super fund that tax is applied.

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 super. This will be included as part of your tax-free component.

Benefits of your West State Super membership

Since contributions and investment earnings are not taxed up front, any money you would pay in tax when you contribute to other schemes is being contributed in full into your West State Super account. Over the long term, you get the benefit of investment growth on the full amount and you only pay tax when you withdraw or roll over your super to a taxed super fund.

An untaxed scheme will generally provide a slightly higher benefit over time for employer or salary sacrifice contributions. Most members will also benefit from low fees and avoid paying duplicate administration fees, by consolidating other super monies and making additional contributions to their West State account.

The West State Super scheme rules may also allow you to take advantage of some unique strategies to reduce or offset capital gains or taxes linked to estate planning, especially for members with eligible service before 1 July 1983.

It's important to note that investment earnings on some contributions may accrue more tax than the amount you would pay in a taxed scheme upon withdrawal. For more details, speak to your Member Services Centre on 13 43 72.

Tax on benefits paid

With standard industry super funds you would not expect to pay tax when accessing super benefits after reaching age 60. This is not the case with West State Super. Because tax is not taken at the time the contribution is made, the tax payable is determined by when and how you access your benefit.

- **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 below). Your taxable component will generally consist wholly of an untaxed element. The exception is where you roll over one or more super benefits that contain a taxed element.

No tax is payable on the tax-free component. An example is included overleaf to further explain this.

Component	Age	Tax withheld ¹
Taxable component - taxed element	Under 55	21.5%
	55 - 59	First \$165,000 ² = 0% Balance = 16.5%
	60+	Nil
Taxable component - untaxed element	Under 55	First \$1,205,000 ² = 31.5% Balance = 46.5%
	55 - 59	First \$165,000 ² = 16.5% From \$165,000 ² up to \$1,205,000 ² = 31.5% Balance = 46.5%
	60+	First \$1,205,000 ² = 16.5% Balance = 46.5%

¹ Includes Medicare Levy but does not include the Temporary Flood and Cyclone Reconstruction Levy (Flood levy). See the 'Tax and super' factsheet available from www.gesb.com.au/brochures for more information.

² For the 2011/12 financial year, indexed annually for future years.

- **Roll over your benefit** - If you roll over all or any portion of your benefit to a taxed super fund, you will be taxed on the untaxed element by the new fund at a rate of 15% when it is received. However, if you exceed your untaxed plan cap (ie \$1,205,000 for the 2011/12 financial year per fund) 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 untaxed element at a rate of 15% when it is received. However, if you exceed your untaxed plan cap (ie \$1,205,000 for the 2011/12 financial year per fund) then GESB will deduct 46.5% tax on the excess prior to rolling over your money.

Example: tax calculation on a lump-sum benefit

John, 61, a recently retired WA police officer, wants to access his West State Super balance of \$300,000 as a lump sum payment. Since he has already contributed \$50,000 from his post-tax income, this component is tax free. The following shows how the tax is calculated on his final benefit.

	Amount	Tax rate	Tax withheld ¹
Gross Benefit	\$300,000		
Tax-free component	\$50,000	0%	Nil
Taxable component – untaxed element	\$250,000	16.5%	\$41,250
Net benefit	\$258,750		

¹ Includes Medicare Levy but does not include the Temporary Flood and Cyclone Reconstruction Levy (Flood levy). See the 'Tax and super' factsheet available from www.gesb.com.au/brochures for more information.

The tax-free component is not subject to tax. The untaxed element of \$250,000 is taxed at a rate of 16.5% because John is taking the benefit as a lump sum.

If John had elected to transfer his West State benefit to a taxed super scheme, such as GESB Super or GESB's Allocated Pension, the untaxed element of his benefit would have been taxed at only 15% (or \$37,500) leaving him with a net benefit of \$262,500.

Limits

The Commonwealth Government provides tax concessions to working Australians but limits the amount that individuals can contribute each year which can receive these tax concessions; these are known as contribution caps. Unlike most other Australian super funds, employer contributions including salary sacrificed contributions and personal deductible contributions made to West State Super do not count towards your concessional contributions cap.

You are able to accumulate up to a maximum of \$1.205 million for the 2011/12 financial year per fund (indexed annually) in concessional taxed benefits. This is the maximum amount of 'Taxable - Untaxed' component that can be paid to you or rolled over to a taxed fund and still be subject to concessional tax treatment. Superannuation Guarantee contributions from your employer and salary sacrifice contributions form the bulk of concessional taxed benefits. Any monies you accrue in excess of this cap in your West State Super account will have tax levied at the top marginal tax rate, currently 46.5% inclusive of Medicare levy.

OTHER THINGS YOU NEED TO KNOW

Benefit components in untaxed funds

Changes to super from 1 July 2007 mean that any withdrawal from an untaxed scheme, like West 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-1 July 1983 service (if applicable).

Below we revisit John's situation to clarify tax paid on benefit components in untaxed funds:

If John has pre-1983 service, ie he started contributing or was deemed to have started contributing to a super fund before 1 July 1983, then a proportion of his untaxed element would be tax free.

Let's say that 20% of John's eligible service with the WA Police was before 1 July 1983 and 80% after. This would mean that 20% of the gross benefit of \$300,000 is tax free. The table below illustrates this.

	Amount	Tax rate	Tax withheld ¹
Gross Benefit	\$300,000		
Tax-free component	\$50,000	0%	Nil
Taxable component – untaxed element	\$250,000		
Pre-83 service	\$60,000	20% of the gross benefit of \$300,000 is tax free	
Post-83 service and now the Taxable component – untaxed element for this new calculation	(\$250,000 minus \$60,000) = \$190,000	16.5%	\$31,350
Net benefit	\$268,650		

¹ Includes Medicare Levy but does not include the Temporary Flood and Cyclone Reconstruction Levy (Flood levy). See the 'Tax and super' factsheet available from www.gesb.com.au/brochures for more information.

Members with pre-1983 service, like John, can maximise the tax-free percentage by making post-tax (personal) contributions (which are tax free) into their West State Super. In most situations the tax-free proportion is generally calculated on the whole benefit (ie \$300,000) and not just the untaxed element (ie \$250,000). This is a complex area and GESB recommends that you seek professional financial advice and/or tax advice to ensure your calculation is on the whole benefit.

For members with a Gold State Super account and pre-1983 service, there may be advantages to rolling over benefits into a West State Super account before withdrawal. However, because the benefits are combined into a West State account, any subsequent withdrawal from the West State Super account will trigger crystallisation of the tax-free and taxable components of the combined amount.

Adding to your West State Super

If you joined West State Super before 30 June 2001 and you plan to make a personal contribution just prior to retirement, please contact your Member Services centre on **13 43 72** to check if your guaranteed benefit exceeds your current account balance. Your overall benefit may be adversely affected in some circumstances.

How to contact us

☎ Member Services Centre 13 43 72 📠 Facsimile 1800 300 067 🌐 gesb.com.au
 ✉ PO Box J 755, Perth WA 6842 📍 Level 4 Central Park, 152 St Georges Terrace, Perth