

# How super is taxed Fact Sheet

## Product Disclosure Statement



The information in this document forms part of the *Club Super Product Disclosure Statement (PDS)* issued 13 August 2018. This document is called *Club Super Additional Information – How super is taxed* and is not attached to the Club Super PDS. If you would like a copy of the *Club Super PDS* go to our website to download a copy, or contact us.

### About Club Super Additional Information – How super is taxed

This Additional Information document provides you with detailed information about the significant tax arrangements within super.

Club Super Additional Information – *How super is taxed* was prepared and issued on 13 August 2018 by Club Plus Qld. Pty. Ltd. (ABN 30 010 892 396), the Trustee of Club Super (ABN 12 737 334 298). If you want more information about Club Super you can contact us on **1300 369 330**, or visit **clubsuper.com.au**.

If you request further information, the Trustee of Club Super will provide all the information that it reasonably believes you may require to make an informed assessment of the management and financial condition of Club Super, including its investment performance.

### When is super taxed?

Superannuation may be taxed at three points:

- When you contribute to the Fund;
- On the investment earnings of the Fund; and
- When you are paid in cash from the Fund.

### Tax on contributions

There are two types of contributions: Concessional and Non-concessional.

#### Concessional contributions

Provided the concessional contributions made by or for you are under the limit of \$25,000 for 2018/19, and your total taxable income plus concessional contributions does not exceed \$250,000, such contributions are taxed at 15% when received by the Fund. The \$25,000 annual limit applies across all Funds, not per Fund. They include:

- Employer contributions – including Super Guarantee contributions, Super Guarantee shortfall payments made by the ATO, and contributions made under an industrial award;
- Salary Sacrifice contributions – which are contributions deducted from your salary by your employer, and paid to the Fund before deducting Pay As You Go withholding tax; and
- Personal contributions for which a deduction is claimed.

The amount of Concessional contributions that are taxed at 15% is limited to a maximum amount per individual per financial year. For 2018/19 the tax concessions on contributions are limited to \$25,000 (in future years, this will be indexed by AWOTE).

#### Carry forward unused concessional cap amount for 5 years

From 1 July 2018, members under 65 as well as members aged 65 to 74 who meet the work test, can, if their total superannuation balances (across all Funds) is less than \$500,000 at the previous 30 June, carry forward any unused concessional limit amounts on a rolling 5 year basis. Amounts not used after 5 years will expire.

For example, if you contributed concessional contributions of \$15,000 in 2018/19, you would carry forward \$10,000, meaning you could contribute that amount above the annual \$25,000 limit, once, at some point during the next 4 years.

#### What if the concessional contribution limits are exceeded?

For the 2013/14 and later financial years, excess concessional contributions will be taxed at your marginal tax rate (including the Medicare levy) plus an interest charge to recognise that the tax on excess concessional contributions is collected later than normal tax. If you exceed the concessional contributions limit, the ATO will issue you a determination to pay additional tax. You may then elect to withdraw up to 85% of the excess concessional contributions from the Fund (up to \$10,000), to help you pay your income tax assessment. Any excess concessional contributions not withdrawn will count towards your non-concessional contributions limit.

Where excess concessional contributions have been made in previous financial years, different tax consequences apply.

The options and rules applying to excess concessional contributions are complex, and we suggest you contact the ATO for further information, or obtain professional advice.

#### Tax for high income earners

In order to reduce the tax concessions granted to high income earners, anyone with a combined total of taxable income and concessional contributions of \$250,000 p.a., or more, will pay 30% tax on concessional contributions paid into a super fund.

Between 1 July 2012 and 30 June 2017, the relevant income threshold which applied was \$300,000.

If your taxable income is less than \$250,000 a year, but when added to your concessional super contributions the total is more than \$250,000, the 30% tax rate will apply to the concessional contributions in excess of \$250,000.

If the concessional contribution is also over the limit, you will also pay tax at your marginal tax rate on the amount over the limit.

For example, if your taxable income is \$230,000 and your concessional contributions are \$30,000, you will pay 15% tax on \$20,000 (i.e. this amount plus income is within the threshold and under the limit of \$25,000), 30% tax on \$5,000 (i.e. this amount plus income is above the threshold, but within the limit of \$25,000), and your marginal tax rate on \$5,000 (i.e. this amount is over the limit of \$25,000).

The Australian Taxation Office (ATO) will assess your liability as soon as practicable after the lodgement of your income tax return and the reporting of contributions by your super fund. Upon assessment by the ATO a notice of assessment and release authority will be provided to you for payment.

Payment must be made within 21 days, otherwise general interest charges will apply. You have the choice to pay the tax out of your superannuation benefits by presenting the release authority or by other methods outside of super.

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### Non-concessional contributions

Non-concessional contributions are not taxed when received by the Fund. Non-concessional contributions include:

- Member personal contributions;
- Spouse contributions; and
- Excess concessional contributions

Government Co-contributions are not counted towards the non-concessional contributions limit.

If your super accounts (across all Funds) have a value of \$1.6 million (to be indexed with CPI) or more at the previous 30 June, you will not be able to make any further non-concessional contributions. Nor are you eligible for the Co-contribution or Low Income Superannuation Tax Offset.

For 2018/19, the limit on the amount of non-concessional contributions that are tax free is four times the standard limit applying to concessional contributions. That is, \$100,000 per annum. This limit applies across all Funds, not per Fund.

### Bring forward of non-concessional contributions

If you are aged under 65, you can bring forward two years of non-concessional contributions, giving you a maximum limit of \$300,000 over three years.

Making contributions in excess of the non-concessional contributions limit will automatically trigger the bring forward rule.

If your super balance (across all Funds) is close to \$1.6 million, you will only be able to bring forward the annual limit amount for the number of years that would take your balance to \$1.6 million.

As contribution limits were previously higher up to 30 June 2017, transitional arrangements apply. If you have partially used your non-concessional bring forward before 1 July 2017, the remaining bring forward amount will be reassessed on 1 July 2017 to reflect the new reduced annual limits.

Where the non-concessional contribution bring forward was triggered in 2015/16, the transitional limit will be \$460,000 (the annual limit of \$180,000 from 2015/16 and 2016/17 and the \$100,000 limit in 2017/18). If the bring forward was triggered in 2016/17, the transitional limit will be \$380,000 (the annual limit of \$180,000 in 2016/17 and \$100,000 limit in 2017/18 and 2018/19).

Examples of how the transitional bring forward rules apply in different scenarios are set out in the table below.

**Table 1: Non-concessional bring forward limits**

2015-16	2016-17	2017-18	2018-19	2019-20
More than \$460,000		Nil	End of transition period \$100,000 or 3 year bring forward	-
More than \$180,000 but less than \$460,000	Cannot exceed \$460,000 from 2015-16 to 2017-18		End of transition period \$100,000 or 3 year bring forward	-
-	More than \$380,000	Nil	Nil	End of transition period \$100,000 or 3 year bring forward
-	More than \$180,000 but less than \$380,000	Cannot exceed \$380,000 from 2016-17 to 2018-19		End of transition period \$100,000 or 3 year bring forward

### What if the non-concessional contribution limits are exceeded

For the 2013/14 and later financial years, if you exceed the non-concessional contributions limit, the ATO will issue you a determination to pay additional tax. You may then elect to withdraw any excess non-concessional contributions (tax free) and 85% of the earnings on the excess non-concessional contributions from the Fund, with the earnings taxed at your marginal tax rate.

If you choose not to withdraw your excess non-concessional contributions, they'll be taxed at the top marginal tax rate, plus the Medicare levy.

Where excess non-concessional contributions have been made in previous financial years, different rules apply.

The options and rules applying to the treatment of excess non-concessional contributions are complex, and we suggest you contact the ATO for further information, or obtain professional advice.

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### Tax on earnings

How your superannuation fund earnings are taxed depends upon whether you are in the “superannuation” part of the Fund, or whether you are being paid an income stream from the Fund.

The annual crediting rates for each investment option are the final percentage earnings of your superannuation investment applied to your Club Super account over the year. These rates can be positive or negative. If you are a superannuation fund member, earnings on investments are taxed at 15% within the Fund. Tax deductions, offsets and credits often reduce this 15% rate. This tax is deducted from the investment earnings before crediting rates are determined.

In other words, by the time the Fund declares its final crediting rates, the tax on investment earnings has already been taken out.

If you are receiving a Retirement Income Stream from Club Super, no tax is applied to the earnings. The earnings in relation to Transition to Retirement accounts are subject to tax at 15%.

### Tax on benefits

Benefits paid from a taxed super fund (such as Club Super) are tax free after age 60, whether paid as a lump sum or as an income stream.

Benefits paid in cash to a person under age 60 may be comprised of:

- A tax free component. No tax is payable on this component, and / or
- A taxable component. How this component is taxed depends on your actual age and your preservation age (see page 4).

The following table summarises the treatment of the taxable component:

Age at payment of benefit	Lump Sum (Taxable Component)	Income Stream (Taxable Component)
60 or over	Tax free	Tax free
Preservation age, up to and including age 59	Tax free, up to the “low rate cap” <sup>1</sup> . Amounts above the “low rate cap” are taxed at 15% plus Medicare levy <sup>2</sup> .	Marginal tax rates plus Medicare levy with a 15% tax offset
Below preservation age	20% tax plus Medicare Levy <sup>2</sup>	Marginal tax rates plus Medicare levy with no offset (except for disability payments).

<sup>1</sup> The “low rate cap” is \$205,000 for 2018/19. The “low rate cap” is indexed annually in line with increases in Average Weekly Ordinary Time Earnings (AWOTE).

<sup>2</sup> Medicare Levy is 2%

### Tax on certain types of benefits

There are certain types of benefits that attract different tax treatment, such as:

#### Tax on Departing Australia Benefit

There is no tax payable on the tax free component of this benefit. ‘Working holiday makers’ who hold a subclass 417 or 462 visa (or certain related bridging visas), will be subject to tax at 65% on the taxable component of their benefit. Temporary residents who are not ‘working holiday makers’ will continue to be subject to tax at 35% on the taxable component of their benefit.

#### Tax on Death Benefits

A death benefit paid as a lump sum is tax free if it is paid to a person who is a dependant for tax purposes – that is:

- A spouse or former spouse (including defacto spouse and same-sex partner);
- A child less than 18 years of age;
- A person with whom the deceased had an interdependency relationship;
- Any other person who was financially dependent on the deceased just before death; or
- Any child over 18 years of age, who lives at home and is receiving Youth Allowance.

If the benefit is paid to a non-dependant, the taxable component is taxed at 15% plus Medicare Levy, except where the beneficiary has not supplied their Tax File Number. The taxable component in this case is taxed at the top marginal rate plus Medicare Levy.

#### Tax on Disability Benefits

A person receives a disability superannuation benefit if they have suffered a physical or mental illness and two legally qualified medical practitioners certify that the person is unlikely to be gainfully employed again in a position for which they are reasonably qualified, due to their education, experience or training. Where a person receives a disability benefit as a lump sum, the tax free component of the benefit is increased to reflect the period where they would have expected to have been gainfully employed until normal retirement age (generally age 65).

#### Terminal Medical Condition Benefits

If a person receives a benefit on the basis of a terminal medical condition, the benefit is tax free.

To meet this definition, a certification is required from two medical practitioners (at least one of whom is a specialist related to your condition) that you are suffering from an illness or injury that, in the normal course of events, is likely to result in death within 24 months.

#### Tax on Lump Sum Benefits less than \$200

Provided that the benefit to be paid is the entire benefit in the Fund, payments of less than \$200 are tax free.

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### Transfer Balance Cap

The Government has introduced a \$1.6 million cap on the total amount of superannuation that can be transferred into a tax free Retirement Income Account. This cap will be indexed by CPI, increasing only in \$100,000 increments.

This cap won't apply to Transition to Retirement Accounts, as from 1 July 2017, such accounts are no longer tax free, with earnings to be subject to 15% tax.

Amounts in excess of the cap will need to be transferred out of the Retirement Income Account back into an accumulation account, where earnings will be taxed at 15%, or withdrawn from the super system.

The rules around the transfer balance cap are complex and we suggest you contact the Fund for further information, or obtain professional advice.

Please read our document *Club Super Additional Information - Transfer Balance Cap* to find out more.

### Your Tax File Number (TFN)

Under Government legislation, your superannuation fund is authorised to collect your TFN, which will be used only for lawful purposes. Those purposes may change in the future if government legislation changes. Your super fund may disclose your TFN to another superannuation provider when your benefits are being transferred, unless you request your super fund in writing that your TFN not be disclosed to any other superannuation provider.

#### What happens if you don't provide your TFN?

It is not an offence if you decide not to quote your TFN. However, if you don't provide your TFN:

- Club Super can't accept any non-concessional (personal, after tax) contributions on your behalf;
- If you try to make personal contributions, they will be refunded to you;
- Your super fund may not be able to locate and amalgamate multiple benefits in your fund, or cross match your details with other funds;
- Your taxable contributions received by your super fund may be subject to additional tax of 30% plus the Medicare Levy, in addition to the 15% tax already applied to taxable superannuation contributions;
- You cannot receive the Government Co-contribution; and

- The taxable component of benefits paid to you will be subject to PAYG tax at the highest marginal rate, plus the Medicare levy. This may be recovered after lodgement of your tax return.

More information on Tax File Numbers for superannuation purposes can be obtained from the Australian Taxation Office on 13 10 20.

#### Need help with tax on your superannuation?

Club Super can refer you to a qualified financial planner for help. Simply phone Club Super on **1300 369 330**. We may also be able to help you with investment advice, planning for retirement and death and disablement insurance cover.

### Accessing your benefit in Club Super

Superannuation is a long term investment which is meant to fund your retirement. That's why the Government has placed restrictions on when you can be paid your superannuation in cash. Most benefits are "preserved" – meaning that you must leave your benefit in a superannuation fund until you reach preservation age and are retired from the workforce.

Your preservation age depends on when you were born, as follows:

Date of birth	Preservation Age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
After 1 July 1964	60

Once you reach age 65, you can access your super at any time, regardless of whether or not you are working.

### ATO Super Match

The ATO offers a Super Match facility, which allows Club Super to use your TFN to search for any superannuation you may have in other Funds, or held by the ATO. However, Club Super requires your consent to use your TFN for this purpose. You may also conduct such searches yourself via your Member Online account.

To provide consent over the phone, please call our Client Contact Centre on **1300 369 330**.

### General Advice Warning

*Club Super Additional Information – Claiming a benefit* contains general information only. It is not intended to contain any recommendations or statements of opinion or advice and it does not take into consideration your individual objectives, financial situation or particular needs. Therefore, before making a decision regarding your super benefits in Club Super, you should consider the appropriateness of any information provided in the *Club Super PDS* and this document. Club Plus Qld. Pty. Ltd. (ABN 30 010 892 396), the Trustee of Club Super (ABN 12 737 334 298) is Corporate authorised representative No. 268814 under Australian Financial Services Licence No. 238507 and is authorised to provide general financial product advice.

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