

Tax on super

Super exists to provide a concessional tax environment for retirement savings. For most people, having money in super compares favourably to other investments. There's a myriad of tax rules applied on contributions into super, on earnings inside super, and on benefits paid out of super. We'll help you understand the basics and navigate some of the more complex areas.

Tax on contributions

If you make a contribution from your after-tax pay, your contribution is not taxed when you pay it into your super (your pay office has already taken PAYG tax out). This is also known as a non-concessional contribution.

If you make a contribution from your before-tax pay (known as salary sacrifice), your contribution is taxed at 15%. For example, if you make a \$100 contribution from your before-tax pay, that contribution is taxed at 15% so \$85 actually goes into your super. This is also known as a concessional contribution.

The 15% tax also applies to any contributions your employer makes for you, including Superannuation Guarantee (SG) contributions. The SG legislation requires employers to make compulsory contributions on behalf of employees. The current SG rate is 12% of salary.

Note for high-income earners

If your income (taxable income, reportable fringe benefits etc) and concessional contributions exceed \$250,000 annually, there is an additional 15% tax (bringing this to 30%) on the concessional contributions you received during the year. The additional tax only applies on the portion of contributions that take you over the threshold of \$250,000.

Spouse contributions and tax offset

If your spouse's assessable income is less than \$40,000 pa, you may be able to claim a tax offset on up to \$3,000 of after-tax contributions you make on their behalf. The maximum offset available is \$540.

Tax benefits

As well as the offset, by making spouse contributions you can also take advantage of two low-rate thresholds.

See our [Spouse contributions](#) factsheet.

Tax deduction for concessional contributions

You can claim a tax deduction for personal contributions you make towards your super. These contributions will then count towards your concessional cap for the financial year. This tax deduction is available until you turn 75 as long as you meet the eligibility criteria.

Contributions for which you intend to claim a deduction are taxed at 15%. If you intend to claim a deduction for your contributions to the fund, you must advise the fund of your intention the earlier of the day you lodge your tax return or the 30th of June of the following financial year in which the contribution was made.



While it's invested in the fund

Tax on your super benefit

Government co-contribution

The Government's co-contribution scheme is an easy way to help your super savings grow. If you're an eligible low or middle-income earner and eligible for the scheme, the Government will make a co-contribution of 50c for every \$1 of personal contributions you put into super (which you don't claim a tax deduction for), up to a maximum co-contribution of \$500 a year. All you have to do is make an after-tax contribution and lodge your tax return. Go to ato.gov.au/super for information about the eligibility criteria for receiving a Government co-contribution.

Low-income super tax offset

Under this scheme, the Government offsets the 15% tax paid on concessional contributions for eligible individuals earning less than \$37,000 p.a. The maximum offset available is \$500 p.a. and is paid by the ATO as a contribution into your super account if you are eligible.

The maximum tax payable on super investment earnings is 15%. If your super fund can claim franking credits or access CGT discounts, the rate could be less than 15%. For earnings on non-super investments, you could pay up to 45% (plus Medicare levy or any other Government levy) in tax. Paying less tax on your super earnings means you have more money invested, making the most of the compounding effect of investment.

The tax on your benefit depends on a number of factors including your age, the amount of the benefit, your employment or membership start date, whether tax deductions were claimed for contributions, and the type of benefit (eg retirement, disability, or death).

Superannuation components for tax purposes are 'tax-free' and 'taxable'. The table on the next page summarises the components that may make up your super benefit.

Tax treatment of lump sum components

Death benefits

Tax payable on death benefits varies according to who receives the benefit and how it is paid. Lump sum death benefits are tax free when paid to a spouse (same sex or opposite sex), a child under the age of 18, any person financially dependent on you, or in an interdependent relationship with you.

Lump sum payments made to non-dependants will be taxed as ordinary lump sums—the taxable component of the benefit will be taxed at 15% (plus Medicare levy).

Terminal illness benefits

Terminal illness benefits are tax-free.

Total and permanent disablement (TPD) benefits

TPD benefits paid over the age of 60 are tax-free.

If you are under the age of 60, you must meet the permanent incapacity condition of release to access your super benefits (including the TPD insurance component).

If you meet this condition, smartMonday will need to calculate the tax components of your benefit to determine what part of the benefit will be 'taxable' and what part will be 'tax-free'.

Once the tax components of the lump sum benefit have been determined (i.e. taxable and tax-free), the tax-free component is received tax-free and the following maximum tax rates are payable on the taxable component of the lump sum withdrawal.

Age	Tax on lump sum withdrawal (taxable component)
Below age 60	Up to 20% plus medicare levy where applicable
Aged 60 and older	0%

There are also options to take the benefit as a pension and tax treatment is different.

Because of the complexity and possible implications on any social security benefits, we recommend our members obtain professional advice before making a decision.

Preservation age

Preservation age is the minimum age, currently 60 for those born after 1 July 1964, at which you can access your super.

Even if you are working after reaching preservation age, you can take out a transition to retirement pension with some or all of your super.

Or you can keep your benefits in your super fund indefinitely, taking out as little or as much of your benefits as you choose after reaching a condition of release.

Tax file number (TFN)

The information in this fact sheet assumes that you have provided your TFN to the Fund's trustee. You don't have to provide it but, if you choose not to, you could end up paying more tax than you need to. In addition, we will not be able to accept non-concessional contributions on your behalf to the fund.

If you would like to provide your TFN, you can:

- > do it online log in at smartmonday.com.au
- > complete and return a *Tax file number notification* form (available on our website)

It all adds up

X Done today
Smart easy actions

+ Positive actions
Grow your wealth

✦ Brighter futures
Someday starts today