Australian Government
Commonwealth Superannuation Corporation

Tax and your ADF Super

Issued 6 July 2020

The information in this document forms part of the Product Disclosure Statement for the Australian Defence Force Superannuation Scheme (ADF Super), fourth edition, issued on 6 July 2020.
Tax in super is very complex and subject to change from time to time. This document is only intended to provide general information about the significant tax implications of super as at 6 July 2020.

For these reasons, we strongly recommend you refer to the Australian Taxation Office (ATO) website for more information and seek advice on the tax of your ADF Super from a licensed professional, such as a financial adviser or an accountant.

Super is currently taxed in three ways:

- contributions going into a fund can betaxed;
- investment earnings of a fund can be taxed; and
- tax may be payable on the benefits you receive from a fund.

Contributions into your super

Contributions into super are classified as non–concessional and concessional contributions.

Non-concessional contributions

Non-concessional contributions for tax purposes are paid from your after-tax income where no tax deduction has been claimed and include your member contributions. Non-concessional contributions paid to ADF Super are not subject to contributions tax in the Fund if these contributions, together with any other non-concessional contributions made by you or on your behalf to any other fund, do not exceed $100 000. If your total superannuation balance is less than $1.6 million at 30 June of the previous financial year, your non-concessional cap is $100 000 per year. Members under 65 with a total superannuation balance less than $1.4 million at 30 June of the previous financial year, may contribute $300 000 over three years (known as the three year bring forward rule). Contributions over your non-concessional contribution cap may be taxed at the top marginal tax rate, plus the Medicare levy.

For further information, visit **ato.gov.au**

CSC — ADF Super
Australian Defence Force Superannuation

Commonwealth Superannuation Corporation (CSC) ABN: 48 882 817 243 AFSL: 238069 RSEL: L0001397
Trustee of Australian Defence Force Superannuation (ADF Super) ABN: 90 302 247 344 RSE: R1077063

Concessional contributions

These are before tax contributions, such as employer salary sacrifice contributions and member contributions where a tax deduction has been claimed.

Concessional contributions are taxed at 15% – this tax is deducted from the contributions when we receive them from your employer. A cap also applies to concessional contributions across all your super funds. The cap on concessional contributions is $25 000 per year.

Spouse contributions

A rebate/tax offset up to a maximum of $540 is available if you make contributions on behalf of your low-income or non-working spouse (including a de facto spouse), provided that your spouse's assessable income and reportable fringe benefits are less than $40 000 a year, and both you and your spouse are Australian residents at the time you make contributions. It is also a requirement that the spouse did not have non-concessional contributions totaling more than their concessional contributions cap and that at 30 June, a total superannuation balance of less than $1.6 million. No tax is paid by the Fund on contributions made to ADF Super for you by your spouse or partner and they count towards your non-concessional contribution cap. For further information go to **ato.gov.au**

Rollovers

Benefits rolled over from another fund are not taxed at the time of the rollover, unless the amount includes components from an untaxed source.

Untaxed components up to the untaxed plan cap amount are taxed at 15%.

Investment earnings

Investment earnings of the Fund are taxed at concessional rates as ADF Super is a complying superannuation fund. Earnings are taxed at a concessional tax rate of up to 15%. The effective rate of tax incurred may be less than 15% due to the concessional tax treatment afforded to long term capital gains and franking credits.

Tax on your ADF Super lump sum benefit

No tax will be payable on a lump sum benefit paid to you from the fund after you reach 60. Tax may be payable if you receive a lump sum benefit before reaching 60, see Table 1.

Instead of taking your benefit from ADF Super as a lump sum, you may wish to receive your benefit as a pension. No tax is payable if you roll your benefit over to a complying super fund. Note that tax may be payable when receiving a pension.

Components of your lump sum benefit

Lump sum benefits comprise a tax-free component and a taxable component.

Tax-free component

The tax-free component of your lump sum consists of your member contributions from your after-tax salary, any super co-contributions and amounts which represent the portion of a super benefit that accrued before 1 July 1983.

Taxable component

The taxable component of your lump sum benefit is the total value of the superannuation benefit less the tax-free component. The taxable component is made up of employer contributions as well as earnings on all contributions and benefits rolled over from another fund. The rates of tax that apply to these components are set out in Table 1.

Note that any superannuation benefit is paid in the same proportion of tax-free and taxable components that make up the total value of the superannuation benefit just before the benefit is paid. However, to determine the tax-free component of a disability lump sum benefit, a modified version of this proportioning calculation is used resulting in an additional tax-free component of the superannuation benefit. This additional tax-free component considers factors such as your days to retirement and service days already completed.

Table 1: Tax on your lump sum benefit

Age	Rate of Tax
60 and above	Tax–free
Preservation age to age 59	Tax–free component: nil Taxable component: nil up to low rate cap amount of $210,000. Above low rate cap amount is 15% plus the Medicare levy
Below preservation age	Tax–free component: nil Taxable component: 20% plus the Medicare levy

Preservation age

Generally, you must reach preservation age before you can access your super. Use the following table to work out your preservation age.

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
From 1 July 1964	60

Tax on your death benefits

The benefit payable on your death (that is, the combined value of your insured amount plus your accumulation balance) is paid as a lump sum. No tax will be payable on a death benefit paid to your dependant(s) as defined under tax law. Under tax law your dependants include your spouse or former spouse, a child under the age of 18, any person with whom you have an interdependency relationship and any person who was your dependant at the time of your death. If you do not leave any eligible dependants, your death benefit will typically be paid to your legal personal representative to be distributed in accordance with your will or, if none, the laws of intestacy.

In the event that a death benefit is paid to a person who is not your dependant, the benefit is subject to tax at 15% plus the Medicare levy.

Tax and your TPD

Under 60

Part of the normal taxable component of your benefit may be recalculated to form part of the tax–free component. Generally, the tax–free component is increased to reflect the period where you could have expected to be gainfully employed if the disability had not occurred. This amount is calculated on the basis of your age, service days i.e. years of membership) and the amount of your benefit. Your adjusted tax–free and taxable components will be taxed at the rates applicable to regular pension payments and lump–sum withdrawals. Where a person under age 60 receives a disability superannuation benefit paid as a superannuation income stream, you will be entitled to a 15% tax offset on the taxable component.

Age 60 or more

If you are aged 60 years or more, the benefit will be entirely tax–free, regardless of the above.

Tax and your income protection

Where your claim for an income protection benefit is accepted, any amounts paid to you are generally taxed as normal income. The insurer will withhold the relevant PAYG tax before paying the benefit to you and at the end of the financial year, you will receive a payment summary (to your nominated postal address) to submit with your tax return.

The super contribution payment of 10% is treated as concessional contributions for tax purposes and is taxed at a rate of 15% (the same as your employer related contributions). While these 10% super contribution payments are not a superannuation guarantee payment (as your employer contributions are), the amount will count towards to your concessional cap for superannuation purposes.

If you’re salary sacrificing super contributions, you should bear this in mind, because exceeding the concessional contribution cap may affect your tax liability.

As part of your claim, you will complete a tax file number declaration. Your tax file number will be provided as part of the claims process to the insurer and the ATO to ensure that if you are paid an income protection benefit, a higher rate of PAYG tax is not deducted from your monthly benefit.

Supplying my Tax File Number (TFN)

Under the *Superannuation Industry (Supervision) Act 1993*, CSC is authorised to collect, use and disclose your tax file number. We may disclose your tax file number to another superannuation provider when your benefits are being transferred, unless you request to us in writing that your tax file number not be disclosed to any other superannuation provider. Declining to quote your tax file number is not an offence, however giving your tax file number to us will have the following advantages:

- we will be able to accept all permitted types of contributions to your account/s;
- other than the tax that may ordinarily apply, you will not pay more tax than you need to - this affects both contributions to your superannuation and benefit payments when you start drawing down your superannuation benefits; and
- it will make it much easier to find different superannuation accounts in your name so that you receive all your superannuation benefits when you retire.

The purposes of supplying your TFN and the consequences of choosing not to supply your TFN may change in line with future legislative change. We intend to use your TFN only for approved legislative purposes which include:

- advising the ATO for the purposes of validating your TFN, tax and super co-contributions;
- supplying your TFN to another fund if your benefit is transferred or rolled over (unless you request in writing that this not be done); and
- assisting in searching for and consolidating your benefits for you in the scheme.

Super co–contribution

The super co–contribution is a government contribution paid when an eligible after tax non–concessional contribution is made. The amount of the co–contribution is currently a maximum of $500 and is subject to an income threshold.

You do not need to apply for the co–contribution. If you have provided your TFN, have made a non–concessional contribution and are eligible to receive the co–contribution, the ATO will transfer the co–contribution to your account.

No tax is paid on the co–contribution when it goes into your account and it does not count towards either contribution cap. However, tax is payable on any investment earnings. For further information visit **ato.gov.au**

Low income contributions

The government makes superannuation payments of up to $500 per financial year to help individuals who earn up to $37 000 save for retirement. This payment is called a low income superannuation tax offset (LISTO) and if you are eligible it will be paid by the ATO to your superannuation fund account automatically.

For further information visit **ato.gov.au**

Reduction in tax concessions for high income earners

Individuals with an adjusted income greater than $250 000 will have to pay additional tax at a rate of 15% on their concessional contributions. For further information visit **ato.gov.au** as well as the privacy complaint process is available at **csc.gov.au/Members/Privacy-policy/**