Tax and your PSS super

Issued 6 December 2019

The information in this document forms part of the Product Disclosure Statement for the Public Sector Superannuation Scheme (PSS), tenth edition, issued on 6 December 2019.

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 December 2019.

For these reasons, we strongly recommend you refer to the Australian Taxation Office (ATO) for more information and seek advice on the taxation of your PSS 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 be taxed
- 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. Additionally, the amount of additional death and invalidity cover paid by you counts towards this cap. Non-concessional contributions paid to PSS are not subject to contributions tax on entry to 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 — PSS **Public Sector Superannuation Scheme**

Concessional contributions

These are before tax contributions, such as productivity, salary sacrifice contributions and member contributions where a tax deduction has been claimed, as well as the amount of additional death and invalidity cover paid by your employer. You cannot salary sacrifice or claim a tax deduction on your member contributions into PSS. However, contributing PSS members can make salary sacrifice and deductible member contributions into PSSap as an Ancillary member or another superannuation fund. For more information, or for a copy of the PSSap PDS, refer to **csc.gov.au**. You should consider the PSSap PDS before making a decision.

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 financial year and includes an amount that represents the notional employer contributions which makes up your unfunded benefit.

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 PSS 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 PSS benefits

The tax on your benefit will depend on whether the benefit is sourced from contributions paid into PSS and earnings on those contributions (taxed source) or from other sources (untaxed source).

Your PSS benefit includes two components – a tax free component and a taxable component.

The taxable component is itself divided into two further components – a taxed element and an untaxed element as follows:

- Tax–free component. Your benefit may include a tax–free component. This component consists of your member contributions paid after 1 July 1983 from your after tax salary, any super co–contributions and any tax free components included in any transfers from other super funds. It may also include a pre 1 July 1983 component if your eligible service started before 1 July 1983. Please note that the pre 1 July 1983 calculation applies to both the taxed and untaxed elements of your taxable component when your benefit is paid as a lump sum, and to only the taxed element of your taxable component when your benefit is paid as a pension.
- Taxable component (taxed element). Your benefit may include a taxable component – taxed element. This component consists of your post June 1990 productivity component, member component, and any transferred amounts, less any tax–free component from a taxed resource.
- Taxable component (untaxed element). Your benefit may include a taxable component – untaxed element. This component consists of your unfunded employer component and any pre July 1990 productivity contributions and notional fund earnings, less any tax–free component from an untaxed source.

The tax treatment of each component is set out in the following table.

Tax treatment of lump sums

		Percentage of tax payable on a taxed source		Percentage of tax payable on an untaxed source	
		Tax-free component	Taxable component	Tax-free component	Taxable component
Under preservation age		0%	20% plus the Medicare levy	0%	30% plus the Medicare levy Top marginal tax rate for amounts above $1.515 million[#]
Preservation age to age 59	Up to $210 000*	0%	0%	0%	15% plus the Medicare levy
	Above $210 000*	0%	15% plus the Medicare levy	0%	30% plus the Medicare levy Top marginal tax rate for amounts above $1.515 million[#]
60 and over		0%		0%	15% plus the Medicare levy Top marginal tax rate for amounts above $1.515 million[#]

Please note that since 1 July 2014 the Medicare levy has increased from 1.5% to 2% of taxable income for the 2014–15 financial year and later financial years.

* The $210 000 threshold applies to the 2019–20 financial year and is indexed annually. This threshold is referred to as the low rate cap amount. The low rate cap applies in relation to super lump sums paid to an individual who has reached their preservation age and is the maximum amount of the taxable component that is given to the lowest rate of tax. The low rate cap is a lifetime limit.

The $1 515 000 threshold applies to the 2019–20 financial year and is indexed annually. This threshold is referred to as the untaxed plan cap amount. For details of the low rate cap or the untaxed plan cap in later years visit **ato.gov.au**

Note that if you take part of your benefit either as a pension and/or lump sum, these payments may include both tax-free and taxable components in the same proportions as they exist in your total benefit.

Tax treatment of pensions

PSS pensions are subject to normal PAYG tax deductions, in the same way your salary is subject to fortnightly tax deductions, although you may be eligible to receive tax concessions. The following table outlines the tax treatment of pensions.

	Percentage of tax payable on a taxed source		Percentage of tax payable on an untaxed source
	Tax-free component	Taxable component	Taxable component
Under preservation age	0%	Your marginal tax rate*	Your marginal tax rate
Preservation age to age 59	0%	Your marginal tax rate less a 15% tax offset	Your marginal tax rate
60 and over#	0%		Your marginal tax rate less a 10% tax offset

Please note the Medicare levy is applied where tax is deducted at your marginal tax rate.

* A tax offset of 15% is applied if it is a disability super benefit.

From 1 July 2017, the tax concessions on your pension are limited to defined benefit amounts less than $100 000 per annum. For this purpose, any benefits from a taxed source are considered first followed by benefits from an untaxed source. 50% of any benefits from a taxed source that is in excess of $100 000 per annum will be counted as assessable income. Any untaxed benefit which then exceeds $100 000 per annum will not be eligible for a 10% tax offset.

Tax treatment of death benefits

If you die while you are a member of PSS, a death benefit may be payable to one or more of your eligible dependants. Your eligible dependants are your spouse or partner and your children under the age of 16 (but from 1 January 2020, under the age of 18), or 25 if they are studying full–time and are dependent on you. If you do not leave any eligible dependants, your death benefit will be paid to your legal personal representative to be distributed in accordance with your will or, if none, the laws of intestacy.
A death benefit may be paid as a lump sum or as a pension. For further information on this topic, please refer to the Death and invalidity benefits booklet available at **csc.gov.au**

The tax treatment of a death benefit paid to an eligible dependant is summarised below.

Tax treatment of death benefits paid to an eligible dependant

Benefit	Age of deceased	Age of beneficiary	Percentage of tax payable on a taxed source		Percentage of tax payable on an untaxed source
			Tax-free	Taxable	
Lump sum	Any age	Any age	0%	0%	0%
Pension	Below 60	Below 60	0%	Marginal tax rate less a 15% tax offset	Marginal tax rate
	Below 60	60 and over*	0%	0%	Marginal tax rate less a 10% offset
	60 and over*	Any age	0%	0%	Marginal tax rate less a 10% offset

Please note the Medicare levy is also applied where tax is deducted at your marginal tax rate.

* From 1 July 2017, the tax concessions on your pension are limited to defined benefit amounts less than $100 000 per annum. For this purpose, any benefits from a taxed source are considered first followed by benefits from an untaxed source. 50% of any benefits from a taxed source that is in excess of $100 000 per annum will be counted as assessable income. Any untaxed benefit which then exceeds $100 000 per annum will not be eligible for a 10% tax offset.

Supplying my tax file number (TFN)

Under the *Superannuation Industry (Supervision) Act 1993*, we are authorised to collect, use and disclose your TFN. We may disclose your TFN to another superannuation provider, when your benefits are being transferred, unless you request the trustee of your superannuation fund in writing that your tax file number not be disclosed to any other superannuation provider. Declining to quote your TFN to us is not an offence. However giving your tax file number to your superannuation fund 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**

Super contributions surcharge tax

The super surcharge tax was reduced to 0% from 1 July 2005. Surcharge relating to periods before 1 July 2005 will continue to be assessed and payable. It is possible that super you have in other funds incurred a surcharge debt before 1 July 2005.

The surcharge was a tax on employer and salary sacrifice contributions for members who had adjusted taxable incomes equal to or greater than a level set by the government from time to time.

In some cases, surcharge can also be payable where a person has not given their TFN. For more information refer to the Superannuation contributions surcharge factsheet available on our website at **csc.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. From 2012–13 to 2016–17 financial years, these are called low income superannuation contributions (LISC) and from 2017–18 onwards they are called low income superannuation tax offsets (LISTO).

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**