Australian Government
Commonwealth Superannuation Corporation

Tax and your PSSap super

Issued 6 December 2019

The information in this document forms part of the Product Disclosure Statement for the Public Sector Superannuation accumulation plan (PSSap), issued on 6 December 2019, fifteenth edition.

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) website for more information and seek advice on the tax of your PSSap super from a licensed professional, such as a financial planner 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
- 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 (including your member contributions) where no tax deduction has been claimed.

Non–concessional contributions paid to PSSap 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 your non-concessional cap. 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 — PSSap
Public Sector Superannuation accumulation plan

Commonwealth Superannuation Corporation (CSC) ABN: 48 882 817 243 AFSL: 238069 RSEL: L0001397
Trustee of the Public Sector Superannuation accumulation plan (PSSap) ABN: 65 127 917 725 RSE: R1004601

Concessional contributions

These are before tax contributions, such as employer and salary sacrifice contributions, and contributions for which 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 on contributions made on behalf of a low–income or non–working spouse (including a de facto spouse), provided that the spouse's assessable income and reportable fringe benefits are less than $40 000 a year, and both the contributing member and the spouse are Australian residents at the time contributions are made. It is also a requirement that the spouse did not have non-concessional contributions totalling 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 spouse contributions made to PSSap and they count towards the 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 PSSap 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 PSSap 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 the table below.

Instead of taking your benefit from PSSap as a lump sum, you may wish to receive your benefit as a pension. There is no fee for doing this and no tax is payable if you roll your benefit over to a complying super fund. Note that tax is likely to be payable when receiving a pension. CSC offers a retirement income stream that you may wish to consider for this purpose. For more information go to **csc.gov.au/members/retirement**

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 the table below.

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.

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: • tax up to the low rate cap ($210 000 for the 2019–20 financial year and is indexed annually): 0% • any amount above the low rate cap: 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

Transfer Balance Cap

From 1 July 2017, there is a limit (known as the transfer balance cap) on how much superannuation you can hold in retirement phase accounts. The transfer balance cap will start at $1.6 million, and will be indexed in line with the consumer price index (CPI), rounded down to the nearest $100 000. Any retirement phase income streams commenced before 1 July 2017 will be counted towards the transfer balance cap on 1 July 2017. New pension accounts (commenced from 1 July 2017) will be counted towards the transfer balance cap when they commence.

If the total amount in your pension account(s) grows over time (through investment earnings) to more than $1.6 million, you will not exceed your cap. If the amount in your pension account(s) goes down over time, you cannot 'top it up' if you have already used your cap. If you exceed your transfer balance cap, you may have to remove the excess from one or more retirement phase income streams, and pay tax on the notional earnings related to that excess. For more information go to **ato.gov.au**

Tax on your PSSap 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 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 15.4% is treated as concessional contributions for tax purposes and is taxed at 15% (the same as your employer related contributions). While these 15.4% 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.

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.

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)
- 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. Contact us for more information.

Low income contributions

The government makes superannuation payments of up to $500 per financial year to help individuals who earn up to $37 697 save for retirement. From 2012–13 to 2016–17 financial years, these were called low income superannuation contributions (LISC) and from 2017–2018 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.

How do I get more information?

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