Tax Explanation

This factsheet explains how your super is taxed.

Tax advantages of superannuation

We are here to help you reach your retirement goals. Super is a way of saving over the long term so you can retire with enough money to meet your needs. As an investment, it can give you tax advantages that you may not get with other ways of saving, such as:

- Tax offsets and tax deductions available on eligible personal contributions to your super
- Concessional tax rates on the returns (income earned) on your super investments
- Concessional tax rates when you access your super.

In this factsheet, we explain the rules around tax and your super, including when tax is payable on your benefits.

For most people, super starts growing when you begin work and your employer starts contributing to your super. Over time, the money in your super might come from a range of contributions including from your employer, personal contributions, money rolled over from another super fund, and spouse contributions. Investment earnings also help your super grow.

Tax on contributions

The tax paid on contributions to your super depends on the type of contribution you make.

If you make **after-tax** (non-concessional) contributions, they are not taxed within the super fund. You can contribute up to $100,000 in a financial year before you exceed this cap.[1]

However, if you are aged under 65 at any time during the financial year, you can contribute up to three times your after-tax cap (i.e. $300,000) in a financial year without being penalised. The amount you can bring forward also depends on your total superannuation balance. If you have less than $1.4 million, then you can bring forward three years' worth of contributions ($300,000). If your total superannuation balance is between $1.4 million and $1.5 million, then you can bring forward two years' worth ($200,000). You cannot bring forward any contributions if you have a total superannuation balance of $1.5 million or more and the non-concessional contribution caps applies.

If you already have $1.6 million or more in super, any further contributions you make will be classed as excess contributions, and additional tax may apply.

If you make **before-tax** (concessional) contributions, you can contribute up to $25,000 in a financial year before you exceed this cap. Before-tax contributions are taxed at 15% within the super fund, unless you exceed the contribution cap or have not provided your tax file number. If your income[2] plus concessional contributions is more than $250,000 per year, different tax rules apply. You will pay tax of 30%, instead of 15% on your concessional contributions once the threshold is exceeded.[3]

From 1 July 2018 if you have a total superannuation balance of less than $500,000 on 30 June of the previous financial year, you may be entitled to "carry-forward" unused concessional contributions. This means you can contribute more than the general concessional contributions cap, and make additional concessional contributions for any unused amounts. Amounts carried forward that have not been used after 5 years will expire.

The first year in which you can access unused concessional contributions is in the 2019-20 financial year.

How the contribution caps increase

The concessional contribution cap is indexed with average weekly ordinary times earnings (AWOTE)[4] in $2,500 increments. The non-concessional cap is set at four times the concessional contributions cap (i.e. $25,000 x 4 = $100,000) and will increase in line with the indexation of the concessional contribution caps.

How excess contributions are taxed

If you exceed your **concessional contributions cap**, your excess concessional contributions count towards your assessable income, and are taxed at your marginal tax rate, plus an additional interest charge. It is wise to seek advice from a professional such as your accountant or tax adviser if you think you may exceed your concessional contributions cap.

You are entitled to a 15% tax offset on the excess concessional contributions for the tax already paid by the super fund.

You can choose to withdraw up to 85% of your excess contributions to help pay the higher amount of income tax. It is entirely up to you how much you withdraw, up to the 85% limit. Any excess concessional contributions you do not wish to withdraw from your super will count towards your non-concessional contributions cap.

1 Current rate for the 2019-20 financial year. **2** Income for surcharge purposes (less any reportable superannuation contributions) which equals your taxable income less any assessable first home super saver amount, plus your reportable fringe benefits and any net investment loss for the income year. **3** Division 293 tax liabilities are assessed and processed by the Australian Taxation Office (ATO) directly to you, and not automatically deducted by the super fund. **4** AWOTE is a measure of wage levels across Australia, as calculated by the Australian Bureau of Statistics.

The process is as follows:

- The Australian Taxation Office (ATO) sends you a notice advising you of any excess concessional contributions.
- Once you receive the notice, if you would like to access any of this money, you have 60 days to let the ATO know.
- You need to complete the ATO's release authority form (which the ATO will provide) and send it back to them by the due date.
- Once the ATO receives your form, they will send us the release authority.
- We send the ATO the amount you chose to withdraw.
- The ATO refunds an amount to you (the ATO might keep all or part of the amount you chose to withdraw, in order to pay off any outstanding tax debts).

If you exceed your **non-concessional contributions cap**, you have the option of withdrawing the excess non-concessional contributions from your super, plus 85% of the associated earnings. If you choose to withdraw the excess non-concessional contributions, the full earnings amount will need to be included in your assessable income, and it will be taxed at your marginal tax rate, plus an interest charge. You will be entitled to a non-refundable 15% tax offset on the associated investment earnings amount.

The process is as follows:

- The ATO sends you a notice advising you of any excess non-concessional contributions, the amount of the associated earnings, and the total release amount.
- You have the option to release the total release amount from your super or to pay the additional tax of 47% on the excess non-concessional contributions.
- If you want to release the amount from super, you can notify the ATO of which super fund you would like the funds released from within 60 days.
- The ATO will instruct us the amount to be released from super.
- We will then release both the excess non-concessional contribution and 85% of the associated earnings within 10 business days to the ATO.

Financial advice about tax and your super

A financial adviser may be able to help you grow your super, pay less tax, plan for retirement, and more. As a QSuper member, you have access to financial advice from QInvest.[1] Call **1800 643 893** to book an appointment with QInvest today.

Tax-free and taxable components

This table shows you the common types of contributions that make up the tax-free and taxable components of your super.

Tax-free
Personal contributions (where no tax deduction is claimed)
Spouse contributions
Super co-contributions
Money rolled over from another super fund (the tax-free component)
Money that becomes tax-free following approval of a total and permanent disability claim
Capital gains tax (CGT) exempt contributions.

Taxable
Employer and salary sacrifice contributions
Personal contributions where a tax deduction is claimed
Investment returns
Money rolled over from another super fund (the taxable component).

What is my preservation age?

As your super is designed to provide for you in retirement, it is generally preserved until you permanently retire from the workforce and reach your preservation age. The table below shows the different preservation ages in place currently.

Your date of birth	Your preservation age
Before 01/07/1960	55
01/07/1960 – 30/06/1961	56
01/07/1961 – 30/06/1962	57
01/07/1962 – 30/06/1963	58
01/07/1963 – 30/06/1964	59
01/07/1964 or after	60

What is a super lump sum payment?

When you access your super, it is generally as a lump sum payment. The tax you pay is based on the tax-free and taxable components of your super:

- There is no tax payable on the tax-free component.
- You will pay concessional rates of tax based on your age on the taxable component.

Once you are 60, any super you withdraw is tax-free.

1 QInvest Limited (ABN 35 063 511 580, AFSL 238274) (QInvest) is ultimately owned by the QSuper Board (ABN 32 125 059 006, AFSL 489650) as trustee for QSuper (ABN 60 905 115 063). Refer to the *Financial Services Guide* for more information. Advice fees may apply.

What happens if I withdraw money from my super?

Any withdrawals you make from your super accounts have the same tax-free and taxable split as your account balance. We will calculate this at the time of payment. The table below gives you an idea of the tax you will pay on lump sum payments.

Tax on lump sum payments

Any tax charged on lump sum withdrawals from your super usually takes into account your age, and the tax-free and taxable components of your super. The table below shows you the different tax rates that apply.

Your age	Taxable component	Tax-free component
Under preservation age	20% maximum tax rate (plus applicable levies)	No tax payable
Reached preservation age and under 60	Tax offset ensures this assessable income is not taxed, up to the lifetime cap (currently $210,000)[1] 15% maximum tax rate[2]	No tax payable
60 and above	No tax payable	No tax payable

How the low rate cap increases

The low rate cap is a lifetime limit that applies to the taxable component of your super. You can withdraw this amount without paying tax if you have reached your preservation age and met a condition of release, and you are under 60.

The low rate cap is indexed annually with AWOTE. The low rate cap is assessed annually and increases in $5,000 increments.

For example, if indexation for the next year is $3,000, there is no increase to the low rate cap. If the indexation increase for the following year is $4,000, the low rate cap increases by $5,000, because the indexation over the two years has increased by $7,000.

The low rate cap is a lifetime limit, and includes super held outside of QSuper. So it's best to check if you have previously used any part of it, as this reduces the amount available to you.

How to calculate your tax

Refer to the table below to see examples of money you might withdraw from your super and the tax you might pay if you access your super before you are 60. Once you are 60, any super you withdraw is tax-free.

			Under preservation age	Preservation age up to age 60
A	Super lump sum		$50,000	$400,000
B	Tax-free component		$10,000	$100,000
C	Taxable component	A – B	$40,000	$300,000
D	Low rate cap (if on or over preservation age but under 60)[1]		N/A	$210,000
E	Taxable amount	C – D	$40,000	$90,000
F	Maximum tax rate[3]		22%	17%
G	Tax payable	E x F	$8,800	$15,300
H	**Net super lump sum**	A – G	**$41,200**	**$384,700**

Tax on income stream payments

If you are under 60 and receiving regular income payments, you may have to pay tax on the taxable component. However, the amount of tax deducted from your payment may be reduced if you are entitled to the 15% tax offset. The tax offset will automatically apply as soon as we receive your *Tax File Number Declaration* form.

The table below shows the tax payable on your regular Income account payments.

Your age	Taxable component	Tax-free component
60 or over	No tax payable	No tax payable
Preservation age to age 60	Taxed at marginal tax rate, with 15% offset available[2]	No tax payable
Under preservation age	Taxed at marginal tax rate, with no offset available[2] 15% tax offset available if payment is a disability super payment	No tax payable

Transfer balance caps on Income account balances

A $1.6 million transfer balance cap applies to the amount of money that can be transferred into a Retirement Income account with tax-free investment earnings. This cap will be indexed, and will increase in increments of $100,000.

This cap applies to all money you have in any Retirement Income accounts (excluding Transition to Retirement Income accounts) you hold with QSuper or any other super funds.

1 Current rate for the 2019-20 financial year. **2** Plus any additional levies, such as Medicare levy. **3** Includes Medicare levy.

If you have in excess of the $1.6 million in total across all of your Retirement Income accounts (including those held outside QSuper), the ATO may issue you an excess transfer balance determination notice, directing you to remove the excess amount. If you do not remove the excess amount by the due date on the notice, the ATO will issue a commutation authority to your super fund, requesting that the super fund transfer the excess out of your Retirement Income account.

You are liable to pay "excess transfer balance tax" on the excess transfer balance earnings. The tax rate is 15% for the first time you have an excess transfer balance and increases to 30% for second and subsequent breaches.

If we receive a commutation authority from the ATO, then unless you tell us otherwise, we will automatically transfer the amount over the transfer balance cap into a QSuper Accumulation account. If you are the reversionary beneficiary of a Retirement Income account that is now held in your name, the amount over the transfer balance cap will be paid to your bank account.

Tax on total and permanent disability (TPD) payments

If you receive a lump sum payment from your super because you have suffered a total and permanent disability, an additional amount of your benefit becomes tax-free. We work this out using your total benefit, eligible service date, and the time left until your retirement age (generally 65). As a formula, it looks like this:

$$\textit{Amount of benefit} \times \frac{\textit{Days to retirement}}{\textit{Service days + Days to retirement}}$$

The tax you pay on lump sum payments depends on the taxable amount of your withdrawal and how old you are when you withdraw it.

Tax on terminal medical condition payments

If you are diagnosed with a terminal medical condition, you can access all of your super. The entire balance is available to withdraw tax-free for 24 months from the date you have been certified as having a terminal medical condition (the certification period).

If you are diagnosed with a terminal medical condition within 90 days of withdrawing a lump sum from your super, you can apply to the ATO to be reimbursed for any tax deducted. For more information about how to access your super early due to a terminal medical condition, see the *Claiming a Terminal Medical Condition Benefit* factsheet available on our website at **qsuper.qld.gov.au/factsheets**, or call us to request a copy.

Tax on death benefits

The tax on death benefits depends on several factors including:

- The age of the person receiving the benefit
- The age of the deceased
- Whether the person receiving the benefit is a dependant.

For more information, please see the *Death Benefit Guide* available on our website at **qsuper.qld.gov.au/guides**, or call us to request a copy.

Providing your tax file number

Under the *Superannuation Industry (Supervision) Act 1993*, your super fund is authorised to collect your tax file number (TFN), which will only be used for lawful purposes. These purposes may change in the future as a result of legislative change. If you transfer your super to another fund we may disclose your TFN to the other super provider unless you tell us not to in writing. It is not an offence not to quote your TFN. However, providing your TFN to your super fund will have the following advantages (which may not otherwise apply):

- Your super fund will be able to accept all types of contributions to your account(s)
- The tax on employer contributions to your super account(s) will not increase
- Other than the tax that may ordinarily apply, no additional tax will be deducted when you start drawing down your super benefits
- It will make it much easier to trace different super accounts in your name so that you receive all your super benefits when you retire.

If we do not have your TFN, you have until 30 June to give it to us before you have to start paying the highest marginal tax rate (47%) on your concessional contributions. Any new employer you have should also give us your TFN within 14 days of when you give it to them, or from when you give them a *Tax File Number Notification* form. This form is available on our website at **qsuper.qld.gov.au/forms**, or call us to request a copy.

Member Centres

70 Eagle Street, Brisbane
63 George Street, Brisbane
Sunshine Coast University Hospital, Ground Floor, Main Hospital Building, 6 Doherty Street, Birtinya

Member Service team

Phone 1300 360 750
Overseas +61 7 3239 1004
Monday to Thursday 8.30am – 5.00pm (AEST)
Friday 9.00am – 5.00pm (AEST)

Postal address GPO Box 200, Brisbane QLD 4001
Email qsuper@qsuper.qld.gov.au
Fax 1300 242 070
Website qsuper.qld.gov.au