



Fact sheet

Tax and your AustralianSuper Pension

Pensions and other forms of retirement income streams offer a range of tax benefits. While the Government's changes to the super system in 2007 have simplified it to some degree, tax can often be a rather complex area. It's important to keep in mind that the way your pension is taxed will depend on your particular circumstances. The information contained in this fact sheet is based on the current taxation laws as at 1 July 2008 and is intended as general information only.

How your pension payments are taxed

The way your pension payments are taxed depends on your age.

60 and over

Once you reach age 60, you pay *no* tax on your AustralianSuper Pension, whether you receive regular income payments or if you withdraw any lump sum amounts.

Under age 60

If you are under 60 years of age, your pension payments – including any lump sum withdrawals – will be subject to income tax, plus Medicare levy. Income tax is deducted from pension payments made to you through the PAYG (Pay As You Go) withholding system. In order to calculate your income tax you will need to look at the tax components of your AustralianSuper pension account.

There are only two tax components that would apply to your pension account: tax-free and taxable.

Tax-free component

This represents the portion of your pension that is not included in your assessable income and is therefore not subject to income tax. This tax-free component is the sum of:

- your non-concessional contributions (these are your personal voluntary after-tax contributions);
- any Government Co-contribution amounts;
- your pre-July 1983 benefits calculated at 30 June 2007;
- any capital gains tax (CGT) exempt component; and
- certain amounts of disability benefits received before 1 July 2007 (post 1 June 1994 invalidity component).

When you first roll over into the AustralianSuper Pension, a calculation is made to determine how much of your future pension payments and lump sum withdrawals will be tax-free. This calculation is made by dividing the 'tax-free component' (described above) by the opening balance of your AustralianSuper Pension account.

This results in a percentage, which will then be applied to all future pension payments and lump sum withdrawals.

> EXAMPLE (for illustrative purposes only)

Jill is 57 years old and has invested \$150,000 in her AustralianSuper Pension. Her purchase price of \$150,000 contained a tax-free component of \$15,000. In order to calculate her tax-free percentage (which will be applied to all her pension payments and any lump sum withdrawals) the following formula is applied:

Tax-free component
 $\$15,000 \div \$150,000$ (purchase price)
= 0.1 (or 10%).

Jill has elected to take a pension payment of \$6,000 per annum.

\$600.00 of this payment will be tax-free
($\$6,000 \times 10\% = \600).

\$5,400.00 will be subject to tax at Jill's marginal tax rate.

Once Jill reaches age 60 her entire pension payment will be tax-free.

Taxable component

Your taxable component represents the amount of your pension that will be subject to income tax if you are under age 60. It is the sum of:

- your concessional contributions (all employer contributions, comprising Superannuation Guarantee (SG) payments and salary sacrifice contributions);
- all personal contributions where you have claimed a tax deduction; and
- investment earnings.

Tax and your AustralianSuper Pension (continued)

Tax will be applied to your taxable component as per the table below:

Pension payments	Lump sum withdrawals
Under age 55: Taxable at marginal tax rate plus Medicare levy	Under age 55: Taxed at 21.5%
Aged 55–59: Taxable at marginal tax rate plus Medicare levy but 15% pension offset is available	Preservation age 55–59: First \$145,000* is tax-free; balance at 16.5%
Aged 60 and over: Tax-free	Aged 60 and over: Tax-free

*This is a lifetime limit and is indexed.

If you are under age 60, we will provide a PAYG certificate after the end of each financial year, together with information you need to complete your tax return.

Tax offset

You may be able to claim a tax offset of 15% on the assessable portion (ie pension payment less the tax-free amount) of your annual pension payment. This offset is available if you are:

- aged 55 or over (but under age 60) or
- in receipt of a pension due to disability or
- in receipt of a pension due to the death of another person.

> EXAMPLE (for illustrative purposes only)

Jill, who is age 57, has chosen to receive an income of \$6,000 from her AustralianSuper Pension.

Her tax-free portion is 10% (see previous example). Jill will only declare \$5,400 (\$6,000 less 10%) of this income for tax purposes.

She also receives a tax offset of \$810 (15% of \$5,400), which will reduce the tax that she may pay.

Investment earnings and tax

You pay *no tax* on the investment earnings as they accrue in your AustralianSuper Pension – regardless of your age.

A note about your Tax File Number

A *Tax File Number Declaration* form must be completed for each pension account opened.

While you do not have to provide your tax file number by law, AustralianSuper will not accept your application without a completed *Tax File Number Declaration* form, available at www.australiansuper.com/pension

Where to find more information

The Australian Taxation Office (ATO) website is a good source of information on superannuation pensions and tax. Visit www.ato.gov.au/super or call **13 10 20**.

Regular updates on the AustralianSuper Pension will be posted on our website at www.australiansuper.com

You can also register your interest by calling AustralianSuper on **1300 300 273** or register your details at www.australiansuper.com/pension. We will then keep you informed with news and updates.