

Super topics

How is super taxed?

So that super is an attractive investment that encourages people to save, it's subject to many tax concessions. This generally results in individuals having to pay less tax than they would if their money was invested outside super. This makes super one of the most tax-effective forms of investment and a great way to save for retirement.

Tax on contributions

When being paid into a Fund, some contributions are taxed and others are not, depending on how the money has been taxed prior to entering the Fund.

Concessional contributions, such as employer and salary sacrifice contributions, are subject to tax concessions, meaning they only attract tax of 15%. Individuals can receive concessional contributions of up to \$50,000 per year while still enjoying this concessional rate. Contributions in excess of this limit are taxed at 46.5%.

Non-concessional contributions, that is after-tax contributions, are not taxed when paid into super because they've already been subject to income tax. These contributions are limited to \$150,000 per person per year or \$450,000 over three years for members under age 65. Excess contributions are taxed at 46.5%.*

If you earn under \$60,342 and make a non-concessional contribution to super, you may receive a Government Co-contribution of up to \$1,500. This co-contribution is not taxed.

Tax file numbers

The above rates apply provided you have advised your super fund of your Tax File Number (TFN). If you have not supplied your TFN you may have to pay tax at 46.5% on your contributions.

The following table outlines how concessional contributions are taxed if you don't provide your TFN:

Super funds cannot accept any non-concessional (after-tax) contributions from you if you have not supplied your TFN.

Tax on investment earnings

Investment earnings are taxed at a rate of up to 15%. This tax is deducted from the crediting rate, along with investment management fees, before the earnings are credited to your account on 31 December and 30 June each year.

Tax on withdrawals

Super withdrawal benefits paid in cash from a taxed fund (like AustralianSuper) will generally be tax-free for those aged 60 or over. This includes both lump sum and pension payments.

For those aged under 60 years and eligible to receive their benefit, the tax treatment of lump-sum withdrawals is a lot simpler than it used to be. The tax-exempt component of the benefit will be tax-free, while the taxable component will be taxed at the rates set in the table below.

The tax treatment of lump-sum withdrawals for members under 60 years is outlined below:

Components	Tax Treatment
Tax exempt	Tax free
Taxable	<ul style="list-style-type: none"> If aged under 55, taxed at 21.5% If aged between preservation age and 59 years, the first \$145,000 tax free and the rest taxed at 16.5%

The abolition of Reasonable Benefit Limits (RBLs) mean that retirees with large super balances no longer need to implement complex strategies to avoid paying excess tax.

Tax deductions

Some people are eligible to claim tax deductions on amounts contributed to superannuation that may have been already subject to tax. This may include:

- employed people where their employer is not providing, and has no obligation to provide, superannuation contributions
- entirely self-employed people
- substantially self-employed people where, generally, the assessable (and any exempt) income plus reportable fringe benefits they receive, on which employer superannuation contributions are based, is less than 10% of their total assessable income.

Further information

The Australian Taxation Office (ATO) website, www.ato.gov.au/super, has a lot of information on super and tax. Alternatively you can contact AustralianSuper on 1300 300 273 or www.australiansuper.com

