

Fact sheet

Tax and your AustralianSuper Pension

Pensions and other forms of retirement income streams offer you a range of tax benefits. The way your pension is taxed will depend on your particular circumstances so we suggest you obtain advice from a licensed financial adviser before you commence your pension.

How your pension payments are taxed

The way your pension payments are taxed depends on your age and the tax component amounts of your AustralianSuper Pension account. Your tax components are set at the time you commence your pension and the proportions of these remain the same for the whole pension period.

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

Age 60 and over

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

Under age 60

If you're 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'll need to look at the tax components of your AustralianSuper pension account.

Tax on AustralianSuper pension payments

Your age	Tax-free component	Taxable component
60 and over	Tax-free	Tax-free
55 to age 59	Tax-free	<p>PAYG income tax rates apply, and you're able to receive a 15% tax offset.</p> <p>For example, if your annual pension payments total \$20,000 and you've an annual tax-free component of \$5,000 and a taxable component of \$15,000; you'll be able to receive a tax offset of 15% on \$15,000, which is \$2,250.</p> <p>You'll then only pay income tax on \$12,750 of the \$15,000 taxable component.</p>
Under age 55	Tax-free	<p>PAYG income tax rates apply, but normally no tax offset is available to you.</p> <p>15% tax offset is available if you receive a pension due to disability or receive the pension as a dependant of a person who has died.</p>

Tax and your AustralianSuper Pension (continued)

Tax-free component

The tax-free component is the sum of:

- your after-tax contributions (also known as non-concessional 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 join 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.

Taxable component

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

- your employer contributions (also known as concessional contributions) which includes Superannuation Guarantee (SG) payments and any salary sacrifice contributions;
- all personal contributions where you've claimed a tax deduction; and
- investment earnings on your super before these were transferred to the AustralianSuper Pension.

Tax will be applied to your taxable component at the rates indicated in the table below

Example

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 until she turns 60) 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 pa.

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

\$5,400 will be subject to tax at Jill's marginal tax rate, less a tax offset.

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

Pension payments	Lump sum withdrawals
Under age 55: Taxable at your PAYG income tax rate plus Medicare levy	Under age 55: Taxed at 21.5%
Aged 55–59: Taxable at your PAYG income tax rate plus Medicare levy less 15% tax offset	Preservation age 55-59: First \$165,000* is tax-free; balance is taxed 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're 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 and your AustralianSuper Pension (continued)

Tax offset

You may be able to claim a tax offset of 15% on the taxable component of your annual pension payments. This offset is available if you're:

- 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

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.

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.

Speak to one of AustralianSuper's Financial Education and Advice Team (FEAT) specialists* by calling **1300 300 273**. They can provide you with over-the-phone financial advice on AustralianSuper's Pension at no cost.

If you need a more detailed financial plan, you can obtain commission free financial advice from Industry Fund Financial Planning (IFFP)*. All advice from IFFP is provided on a fee-for-service basis.

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.

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

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