



Tax and your PSSap super

Who should read this?

Members who want to understand how their PSSap super is taxed.

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What you should know up front

It is important you read the disclaimer at the end of this fact sheet.

Tax on superannuation is very complex and subject to change from time to time. For these reasons, we strongly recommend you seek advice on the tax on your PSSap super from a licensed professional such as a financial planner.

The information contained in this document is a general statement and should only be used as a guide for the PSSap. The information is based on the current tax laws and our understanding of their application at the time of publication.

Before making any decisions, please read the **PSSap product disclosure statement**.

How is my super taxed?

Superannuation is taxed at three points:

- > tax is deducted from contributions going into PSSap
- > investment earnings are taxed, and
- > you may pay tax on your PSSap benefits. The following table gives a broad overview of the way your PSSap super is taxed.

Table 1 - Tax applying to super		
Type of tax	When does it apply?	Rate of tax
1. On your member contributions	Non-concessional contributions – personal contributions paid from your after-tax income where no tax deduction has been claimed, as well as contributions made to the PSSap for you by your spouse	Up to non-concessional contributions cap* – Nil In excess of cap* – top marginal tax rate plus Medicare levy (currently 46.5%)
	Transfers from other funds	For transfers from a taxed source - Nil For transfers from an untaxed source up to \$1.1 million - 15%
2. On your employer contributions	Concessional contributions (before - tax). Salary sacrifice contributions.	Up to contributions cap** - 15% In excess of cap** 15% plus an additional 31.5% including Medicare levy Any excess amount will also count towards non-concessional contributions cap.
	Concessional contributions (before - tax). Employer contributions.	Up to concessional contributions cap** – 15% In excess of cap** 15% plus an additional 31.5% including Medicare levy Any excess amount will also count towards non-concessional contributions cap
3. On investment earnings	When it is deducted from PSSap earnings before daily unit prices are calculated	Up to 15%
4. On your lump sum benefit payments	When you are paid a benefit	From nil to 21.5% (including Medicare levy) - See 'How is my PSSap lump sum benefit taxed?'
	When a benefit is paid to your dependants as a result of your death	For eligible dependants – tax free. See 'How is my PSSap death benefit taxed?'
	When a benefit is paid to a non-dependant as a result of your death	There are different tax implications for a PSSap death benefit paid to a non-dependant – the Australian Tax Office (ATO) or a licenced professional can explain those implications

*The non-concessional cap for 2009/10 is \$150,000

**The concessional cap for 2009/10 is \$25,000 for members under age 50 and \$50,000 for members aged 50 and over

What is the superannuation surcharge?

The superannuation surcharge tax was abolished from 1 July 2005. Surcharge relating to periods before 1 July 2005 will continue to be assessed and payable. It is possible that you have incurred a surcharge debt before 1 July 2005 from super in other funds.

If you transfer an amount from another super fund to the PSSap, and you have previously accrued an unpaid surcharge debt, this debt may be included in the amount we receive from your previous fund.

If this is the case, once the amount has been identified as a surcharge debt, it will be deducted from your account and paid to the Australian Tax Office in accordance with the law.

How is my PSSap lump sum benefit taxed?

Currently, you can only withdraw your PSSap benefit as a lump sum. Your lump sum is made up of different components which are taxed at different rates – see Table 2.

Alternatively you can rollover your benefit to another complying fund. Your benefit is not taxed if you roll it over to another superannuation fund.

The PSSap is a complying superannuation fund for the purposes of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the Regulations to that Act. As a consequence, the investment earnings and benefits paid by the scheme are taxed at concessional rates.

What are taxed and untaxed elements?

The taxed elements are the components of a benefit that come from a source that has been subject to income tax on earnings and contributions. All benefits paid from the PSSap are from a taxed source.

Untaxed elements are the components of a benefit that come from a source that has not been subject to income tax on earnings and contributions. Any payments into the PSSap from an untaxed source will be taxed on entry into the Fund.

Table 2 - Tax applying to superannuation lump sum payments from the PSSap

Component	Tax rate	
Tax free component (This includes the following components that existed prior to 1 July 2007 – Post-June 1994 Invalidation, Capital Gains Tax Exempt, Undeducted Contributions, Concessional, and Pre-July 1983)	Tax free	
Taxable component (This includes the post-July 1983 component which existed prior to 1 July 2007)	Under preservation age	21.5%*
	Preservation age to age 59	Tax free up to threshold** 16.5%* above threshold**
	60 and over	Tax free

* Including Medicare levy

** Low rate threshold for 2009/10 is \$150,000

How is my PSSap death benefit taxed?

Your death benefit is the total of your account balance plus any insured benefit at the time of your death.

Death benefits paid directly to your dependants are tax free. For tax purposes, your dependants include your spouse including a de facto spouse of the same sex or opposite sex, your children (including adopted children, step-children, ex-nuptial children or children within the meaning of the *Family Law Act 1975*) and any person with whom you have an interdependency relationship.

The tax arrangements for death benefits paid to non-dependants are different to those paid to dependants and can be very complex. You should contact the ATO or a licenced professional to get advice on the tax of death benefits that are paid to non-dependants.

A death benefit cannot be rolled over but must be paid as a lump sum.

If you die while still contributing to the PSSap, and your death benefit is payable to either your spouse, former spouse or children, then your benefit will also include a refund of the 15% contribution tax paid by you over time. This is referred to as an anti-detriment payment. The amount is calculated in accordance with formulas published by the ATO.

How is my income protection taxed?

If you are in receipt of income protection payments, they are treated as assessable income for tax purposes (in the same way as your salary). Tax will be deducted from income protection payments in the same way your employer deducts tax before paying your salary.

What about the government super co-contribution?

The government super co-contribution is an additional contribution paid by the Australian Government to people with an assessable income of \$61,920 or less in the 2009/10 financial year who make after-tax contributions to superannuation. No tax is paid on these contributions and they do not count towards any contribution caps. However, once it becomes part of your PSSap super account, tax is payable on the investment earnings at a rate of 15%.

Do I have to provide my tax file number to the PSSap?

We are authorised to collect your tax file number (TFN) under the *Superannuation Industry (Supervision) Act 1993*. You can provide it by giving your employer permission to pass it on to us.

You do not have to provide it, and it is not an offence if you choose not to. We intend to use your TFN only for approved legislative purposes.

Currently these include:

- > advising the Australian Tax Office for the purposes of tax and super co-contributions;
- > providing your TFN to another fund if your benefit is transferred or rolled over (unless you request in writing for this not to be done);
- > assisting in searching for, and amalgamating, your benefits for you in the Fund.

These purposes may change in line with future legislative change.

If you do not provide your TFN:

- > we will not be able to accept your non-concessional (after-tax) contributions
- > any concessional (before-tax) contributions will be taxed at the top marginal tax rate
- > we may not be able to locate and amalgamate your benefits for you in the Fund; and

- > benefits paid to you may be subject to a higher rate of tax, unless your TFN is later provided by you. The additional tax may be reclaimed through the income tax assessment process.

The consequences for choosing not to provide your TFN may change in line with future legislative change.

Do you have my tax file number?

You can check and provide it at **Member services online** if you have not previously provided it to us, just look at My account. Alternatively, you can ask your employer, or contact us direct.

Where can you get more information?

EMAIL members@pssap.gov.au

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