



# How the 1 July 2007 changes affect you in the PSSap

## Who should read this?

All PSSap members.

If you plan to make any changes to your super arrangements after reading this fact sheet, we recommend that you seek financial advice before making any decisions.

## What is in this fact sheet?

- > What are the changes?
- > How do the changes affect your super contributions?
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## What are the changes?

Super tax legislation that affects all super funds and their members came into effect from 1 July 2007.

The main changes include:

- > new contribution rules and caps, including a higher tax on contributions that exceed the caps
- > new thresholds and withdrawal rules, including the abolition of tax paid on lump sums for those aged 60 or over (at the time of payment)
- > the removal of reasonable benefits limits (RBLs).

This factsheet explains these changes in more detail.

## How do the changes affect my super contributions?

Super contributions are taxed differently depending on whether you or your employer make them and whether they were from your before or after-tax income. Here is an explanation:

### Your employer contributions

In the PSSap, your employer contributes 15.4% of your super salary to the PSSap. These contributions are classed as **concessional contributions** for tax purposes.

There is a cap on the total amount of concessional contributions **that can be paid across all your super funds**.

The cap on concessional contributions is:

- > \$25,000 per year  
or
- > for members aged 50 or over, a transitional limit of \$50,000 per year for three years (financial year 2009/10 to 2011/12).

All concessional contributions are taxed at 15% when received by the PSSap. Under the new rules, contributions above the cap will be taxed at the top marginal tax rate, and will also count towards the non-concessional contributions cap (see below).

### Your member contributions

Contributions you make to your super from your after-tax income are known as **non-concessional contributions** for taxation purposes.

From 1 July 2007, there will also be a cap on all non-concessional contributions **across all your super funds**.

The cap on non-concessional contributions is:

- > \$150,000 per year  
or
- > \$450,000 over three years for members under 65. For example, \$300,000 in year one, \$100,000 in year two and \$50,000 in year three.

Non-concessional contributions up to the cap are not taxed when received by the PSSap because you make these from your after-tax income. However, any non-concessional contributions that exceed the cap will be taxed at the top marginal tax rate.

Amounts transferred into the PSSap from other super funds do not count towards either of the caps.

### Salary sacrifice contributions

You are able to salary sacrifice into the PSSap. You make salary sacrifice contributions from your before-tax income. They are treated in the same way as employer contributions for tax purposes and count towards the concessional contributions cap.

#### Example

For example, Rachael (age 45) salary sacrifices \$40,000 into her PSSap super account and her employer contributes \$20,000 in the same financial year. Therefore, Rachael made \$60,000 in concessional contributions which is \$35,000 more than the cap of \$25,000. This means that \$35,000 will be taxed at the top marginal tax rate and will also count towards Rachael's non-concessional cap. This means that her non-concessional cap of \$450,000 over three years will be reduced to \$415,000.

If you are considering making a large contribution to your super fund, whether from your before or after-tax income, we strongly advise you to see your financial adviser.

### Super co-contributions

Super co-contributions will not be included in either of the caps. For more information on super co-contributions see the **Super co-contributions** fact sheet at [www.pssap.gov.au](http://www.pssap.gov.au)

### What happens if you or your employer contributes more than the caps?

Any contributions more than the caps will be taxed at the top marginal tax rate. If this happens, you will receive a tax assessment from the Australian Taxation Office who will also send you a 'release form' which allows you to withdraw money from your super to pay the extra tax. For more information visit [www.ato.gov/super](http://www.ato.gov/super)

## How do the changes affect my super withdrawal?

Under the new rules, you can leave your super in the PSSap for as long as you wish. However, if you are considering cashing in any of your super in the near future, you may want to compare the way in which it will be taxed depending on your age.

### Under age 55

If you are under age 55, or below your preservation age and you **resign, are dismissed or made redundant** from Australian Government employment, your options are to:

- > leave your super in the PSSap  
or
- > transfer it to another super fund.

In either case you will not be taxed until you withdraw your super and permanently retire.

If you retire due to a disability you may be able to have your super paid to you as a lump sum. Depending on how long you have been contributing to your super, your lump sum may consist of both a taxable and a tax-free component. The taxable component of your lump sum will be taxed at 21.5%.

### Aged 55 to 59

If you are aged between 55 and 59 and have reached your preservation age and you **retire, resign, are dismissed or made redundant** from Australian Government employment, you can transfer your super to another super fund or have the balance of your PSSap super paid as a lump sum.

Your lump sum may consist of both a taxable and a tax-free component. The taxable component is tax-free up to \$150,000 - amounts above the threshold are taxed at 16.5%.

### Aged 60 or over

If you are aged 60 or over and you **retire, resign, are dismissed or made redundant** from Australian Government employment, you can withdraw your super from the PSSap as a tax-free lump sum.

The table below shows the tax on lump sums based on your age and the taxable and tax-free components.

Age	Benefit component	
	Tax-free	Taxable
Under 55 (and not reached preservation age)	0%	21.5%
55-59 (and reached preservation age)		0% up to \$150,000 16.5% above \$150,000
60 and over	0%	

## Is there anything else I should consider?

### Tax file numbers (TFN)

The new rules will affect members who have not given their TFN to their super fund. From 1 July 2007, if we do not have your TFN:

- > we will not be able to accept your after-tax member contributions
- > your employer contributions, and any salary sacrifice amounts will be taxed at the top marginal tax rate.

### Other considerations

- > The senior Australian tax offset may apply to you. For more information visit [www.ato.gov.au](http://www.ato.gov.au)
- > The age pension assets test taper rate changed. For more information visit [www.centrelink.gov.au](http://www.centrelink.gov.au)
- > Any part of your benefit which is taxed will also be subject to the Medicare levy.
- > If you are planning on making any changes to your super arrangements after reading this fact sheet, we recommend that you seek financial advice before making any decisions.

## How do I get more information?

Read the **PSSap product disclosure statement**.

EMAIL [members@pssap.gov.au](mailto:members@pssap.gov.au)

PHONE 1300 725 171

FAX 1300 662 406

MAIL PSSap  
PO Box 22  
Belconnen ACT 2616

WEB [www.pssap.gov.au](http://www.pssap.gov.au)

## Glossary

### Concessional contributions

Previously known as deductible contributions. These are contributions made from your before-tax income.

### Non-concessional contributions

Previously known as undeducted contributions. These are contributions made after 1 July 1983 from your after-tax salary.

### Pre-July 1983 component

The amount of your super which relates to eligible service before 1 July 1983.

### Preservation age

The minimum age at which you can take your super as a lump sum without any restriction (see table below).

Preservation age	
Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 - 30 June 1961	56
1 July 1961 - 30 June 1962	57
1 July 1962 - 30 June 1963	58
1 July 1963 - 30 June 1964	59
After 30 June 1964	60

### Reasonable benefit limits (RBL)

Before 1 July 2007, the maximum amount of super you were able to receive from all sources at a concessional tax rate. These limits have been removed.

### Super co-contributions

An extra super contribution paid by the Australian Government to people earning between \$31,920 and \$61,920 who make after-tax contributions. For more information go to [www.ato.gov.au/super/](http://www.ato.gov.au/super/)

### Taxable component

This includes concessional contributions made since 1 July 1983.

### Tax-free component

This may include contributions made before 1 July 1983, non-concessional contributions made since 1 July 1983 and post-June 1994 invalidity amounts.

### Top marginal tax rate (MTR)

The highest income tax rate. For 2009/10 the top marginal tax rate will be 45%.

#### Warning - This Document Contains General Advice or Information Only

Any advice in this document has been prepared without taking account of your personal objectives, financial situation or needs. Because of this, you should, before acting on any advice in this document, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. You may wish to consult a licensed financial planner to do this.

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