Fact sheet:
How super benefits are taxed

There are major tax implications associated with super benefits. The taxation system is complex and different rules may apply depending on your individual circumstances. This is an overview of some of the tax implications as at the date this fact sheet was prepared but changes may occur in the future. You should consider seeking professional taxation advice before making any decisions that affect your financial future.

General advice warning about using or relying on this information

The information in this document is general information only and does not take into account your individual objectives, financial situation or needs. You should consider the information and how appropriate it is to your own objectives, financial situation and needs before making any decisions.

You should read the relevant Product Disclosure Statement or Member Booklet for your product, available from oursuperfund.com.au/pds or by calling us. You should consider seeking professional advice tailored to your personal circumstances from an authorised financial adviser before making a decision.

The target markets for our products can be found in the product's Target Market Determination available at oursuperfund.com.au/tmd.

Taxation considerations are general and based on present taxation laws and may be subject to change. You should seek independent, professional tax advice before making any decision based on this information.

The trustee is also not a registered tax (financial) adviser under the Tax Agent Services Act 2009. You should seek tax advice from a registered tax agent or a registered tax (financial) adviser if you intend to rely on this information to satisfy the liabilities or obligations or claim entitlements that arise, or could arise, under a taxation law.

Tax on lump sum withdrawals

Depending on your age, tax may be payable on any super that you withdraw as a cash lump sum. A lump sum withdrawal from a pension account is also known as a commutation.

If you're...	Tax-free component	Taxable component
Aged 60 or over	No tax payable.	No tax payable.
Preservation age[1] to age 59	No tax payable.	No tax payable on amounts up to the lifetime low rate threshold[2], which is $225,000 for 2021–22; amount over low rate threshold taxed at 17%.[3]
Under preservation age[1]	No tax payable.	Whole component taxed at 22%.[3]

Lump sum withdrawals or commutations must be withdrawn proportionally from the tax-free and taxable components of your super; you can't choose to withdraw solely from the tax-free component.

1 Your preservation age is between ages 55 and 60 depending on your date of birth. Visit our website for more information on withdrawing super and preservation age.
2 The low rate threshold is a lifetime threshold that applies to all of your lump sum commutations payments from your super. The amount is indexed to Average Weekly Ordinary Time Earnings (AWOTE) in $5,000 increments, rounded down.
3 All tax rates include 2% Medicare levy and assume a valid tax file number has been provided. If your marginal tax rate is lower than the applicable tax rate, you may be entitled to a tax offset.

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Example: You've satisfied a condition of release to access your super and during 2021–22 you withdraw a cash lump sum of $400,000. Your benefit has a tax-free component of $120,000 and a taxable component (taxed element) of $280,000.

- If you're **aged 60 or over** when you withdraw your benefit, no tax applies on the total lump sum amount of $400,000.
- If you're **aged between your preservation age and 59**, you pay no tax on the tax-free component ($120,000) or the first $225,000 of the taxable component. Tax on the remainder of the taxable component is calculated as 17% x ($280,000 – $225,000), equal to $9,350.
- If you're **under your preservation age**, you pay tax at 22% on the full taxable component, i.e. 22% x $280,000, or $61,600.

The tax that applies to lump sums withdrawn under permanent incapacity or terminal medical conditions may be different. Contact us for more information if required.

Tax for temporary residents

Tax may apply if you are or were a temporary resident and you apply for a Departing Australia Superannuation Payment (DASP).

From 1 July 2017, if your DASP includes any super contributions made while you were a working holiday maker (WHM), the whole taxable component of your DASP is taxed at 65%. If your DASP doesn't include any contributions in relation to a WHM or you've never held a WHM visa, the taxable component is taxed at 35% for the taxed element and 45% for the untaxed element.

Tax on pension payments

Age	Tax applying to pension benefits
Age 60 or over	• **For Retirement Access pensions**: All pension payments are tax-free. • **For Defined Benefit pensions**: – No tax is payable on annual pension payments up to the defined benefit income cap[4], which is $106,250 for 2021–22. – PAYG withholding[5] tax is payable on 50% of any excess amount above the defined benefit income cap. This portion is not eligible for the pension tax offset.
Under age 60	• No tax is payable on the tax-free component of pension payments. • PAYG withholding[5] tax is payable on the taxable component of pension payments. • If you've reached your preservation age[1] but haven't yet turned 60, or if your pension qualifies as a disability or death benefit pension, you're entitled to a tax offset of 15% of your assessable pension income, which is your annual pension payment amount less your tax-free pension amount.

Example: You're aged 57 and your preservation age is 55. Your annual Retirement Access pension amount is $23,000, made up of a tax-free component is $1,500 and a taxable component of $21,500. PAYG withholding tax is payable on the whole taxable component but you'd also be eligible for a tax offset of $3,225, calculated as 15% x ($23,000 – $1,500).

Tax on death benefits

Death benefits paid as a lump sum

A death benefit from Accumulate Plus, Retirement Access and some defined benefit divisions is paid as a lump sum and may be taxed, depending on whether it's paid to a dependant or non-dependant as defined by tax laws.

If paid to a…	Tax-free component	Taxable component
Tax dependant	No tax payable.	No tax payable.
Tax non-dependant	No tax payable.	Taxable component (taxed element) taxed at 17%; taxable component (untaxed element) taxed at 32%.[3]

The definition of 'dependant' under tax laws and super laws is different – not everyone who is a valid dependant in order to receive a death benefit from super is considered a tax dependant.

When considering the tax implications of a death benefit, you should consider the definition that applies under tax laws.

Under tax laws, a person is your dependant if at the time of your death they are:

- your current or former spouse, including a de facto spouse (whether of the same or opposite sex)
- your child under age 18, or your child over age 18 providing they're financially dependent on you
- any other person with whom you had an interdependency relationship
- any other person who was your dependant, which ordinarily means someone who was financially dependent on you.

If your super is payable to you as a lump sum payment because you've satisfied the condition of release of having a terminal medical condition as defined under super law, the lump sum is tax-free when paid to you.

4 The defined benefit income cap is equal to the general transfer balance cap divided by 16. The defined benefit income cap amount is generally pro-rated in your
first year and/or the year in which you turn age 60, or if you receive a death benefit (reversionary) pension and are under 60.

5 PAYG withholding tax is deducted by the fund at the time of payment. The amount of tax we must withhold and remit to the ATO depends on your age, the amount of your lump sum withdrawal or pension payment and whether you've provided a valid tax file number to us.

Death benefits paid as a pension

If a death benefit is paid as a pension to your dependent beneficiary, e.g. where a reversionary pension is payable from one of our Defined Benefit divisions, the pension payments is generally tax-free, except in the following circumstances:

- If you're under age 60 at the time of your death **and** your beneficiary is under age 60 when receiving the pension payment, the taxable component of the pension payment is subject to PAYG withholding[5] tax. The taxable (assessable) component must also be included as income in your beneficiary's individual tax return to be assessed against their marginal tax rate.
- Regardless of your beneficiary's age, if the defined benefit annual pension entitlement is equal to or higher than the defined benefit income cap[4], 50% of the excess amount above the cap is subject to PAYG withholding[5] tax. The defined benefit income cap is $106,250 for 2021–22.