Super SA

Government of South Australia

FACT SHEET

Pension and Lump Sum Tax

This fact sheet will help you to better understand how your super is taxed and explain the terms that are used in relation to this complex issue.

Untaxed super funds

The Pension Scheme and Lump Sum Scheme are untaxed super funds, which means that you are not taxed on either the contributions your employer makes on your behalf or your investment earnings, until you leave the scheme.

Rather than paying tax upfront, tax is charged when an entitlement is paid to you, in accordance with the Australian Taxation Office (ATO) rules for untaxed funds. Most super funds are taxed funds, except for a few public sector funds, such as the Lump Sum Scheme and the Pension Scheme.

Tax file number

Your tax file number (TFN) is a unique number issued to you by the ATO. It enables the ATO to match information it receives about income earned with details disclosed in your tax return.

Providing Super SA with your TFN means:

- other than the tax that may ordinarily apply, no additional tax will be deducted when you receive your super entitlement
- it will be easier to trace different accounts in your name so that you receive all of your super when you retire
- we will be able to accept payment of any Government co-contribution into your Triple S account. If you do not already have a Triple S account, a new one will be established in your name to receive your co-contribution payment.

Your TFN will only be used for lawful purposes. These purposes may change in the future as a result of legislative change. The Super SA Board may disclose your TFN to another super fund when your entitlement is being transferred, unless you notify the Super SA Board in writing that your TFN may not be disclosed to the other trustee.

Super SA can tell you if we already have your TFN or you can check your Annual Statement. To provide your TFN, log into the secure member portal, using your Super ID and update online. Alternatively you can complete a Tax File Number Declaration form, available from the Super SA website.

If you're a Pension Scheme member:

You are likely to receive your entitlement as a fortnightly income, which, for most members, will be taxed at PAYG rates.

There are some exceptions to receiving a fortnightly income from the Pension Scheme, which are explained in the Pension Retirement, Income Protection and Total and Permanent Disablement fact sheets.

You may choose to commute (or exchange) some or all of your fortnightly income to take as a lump sum. You will be advised of your commutation options when you start receiving your fortnightly income. A lump sum payment is taxed differently to fortnightly income payments.

A portion of your fortnightly income will be tax free. The amount of your tax-free income is calculated as a percentage of your fortnightly income and takes into account the after-tax contributions you made to the Pension Scheme. The balance of your pension is the taxable amount.

At age 60, you will receive a 10% tax offset on the taxable amount of the first $106,250 of annual pension, which will reduce your tax. The 10% tax offset is calculated on the taxable amount of your fortnightly income.

If you choose to commute (or exchange) some or all of your fortnightly income, this amount will be taxed differently. Information about this taxation is over the page. You can take a commuted amount in cash or roll it over to another fund.

If you're a Lump Sum Scheme member:

Your lump sum entitlement from the scheme is subject to tax.

You can either take your super lump sum in cash or roll it over to another fund, depending on the preserved and unpreserved portions of your entitlement. Explanations of preserved and unpreserved portions can be found in the Lump Sum Scheme Entitlements fact sheet.

How your super will be taxed

If you take it as a lump sum (from the Lump Sum Scheme or as a commuted lump sum amount from the Pension Scheme).

The tax you pay on your lump sum amount will be determined by your age, your preservation age (see table on this page), and the tax components.

Types of tax components	
Tax-free	This is money that does not need to be taxed, e.g. contributions you made after-tax.
Taxable (taxed)	This is money that has had 15% tax already deducted, e.g. roll ins from other super funds which have been taxed (such as industry or retail funds).
Taxable (untaxed)	This is the balance of your super and has not yet been taxed.

Your Commonwealth Government preservation age depends on your date of birth:

Date of birth	Commonwealth Government preservation age
Before 1 July 1960	55
1 July 1960 to 30 June 1961	56
1 July 1961 to 30 June 1962	57
1 July 1962 to 30 June 1963	58
1 July 1963 to 30 June 1964	59
After 30 June 1964	60

If you roll over your entitlement to the Super SA Flexible Rollover Product or another taxed superannuation fund, a 15% contributions tax will be deducted from the "taxable (untaxed) component".

The "taxable (untaxed) component" will be taxed as shown in the table[1] below.

Your Age	Tax on taxable (untaxed) component
Under Commonwealth preservation age	30% maximum tax rate up to $1,615,000
Commonwealth preservation age up to age 59	15% tax up to $225,000 30% tax on balance up to $1,615,000
60 or over	15% tax on amounts up to $1,615,000

Any "taxable (taxed) component" will be taxed as shown in the table[1] below.

Your Age	Tax on taxable (taxed) component
Under Commonwealth preservation age	20% maximum rate (no limit)
Commonwealth preservation age up to age 59	Taxed at 0% up to $225,000 15% tax on balance (no limit)
60 or over	Tax free

The Medicare levy is not payable in addition to the contributions tax when your benefit is rolled over to a taxed superannuation fund. If your "taxable (untaxed) component" is over $1,615,000 the excess will be taxed at the highest marginal rate before your entitlement is rolled over. If you have super invested in Triple S, in addition to your main scheme, a separate cap of $1,615,000 applies for each scheme. You should seek professional financial advice should you wish to consolidate super held in other untaxed schemes into your Lump Sum or Pension Scheme, or vice versa.

Transfer Balance Cap

Lifetime Pensions, such as the Super SA Pension, count towards the Federal Government's Transfer Balance Cap. The General Transfer Balance Cap was previously $1.6 million and was indexed to $1.7 million on 1 July 2021. If you commenced retirement pensions before 1 July 2021, you will have a personal Transfer Balance Cap of between $1.6 and $1.7 million, which can be viewed on ATO online via myGov.

For Lifetime Pensions, the amount that counts towards the Cap will be 16 times the total annual pension as at 1 July 2017, or the date the pension commences after 1 July 2017. If you exceed your personal Transfer Balance Cap, you do not need to commute the lifetime pension, however any other retirement accounts you have (such as the Super SA Income Stream) will need to be reduced by the excess amount above your personal Transfer Balance Cap. We encourage you to seek financial advice around this.

1 **Please note:** Assumes TFN provided. If you do not provide your TFN, you will be taxed at the highest marginal tax rate plus Medicare levy. The 2% Medicare Levy is also deducted when tax is payable and you take your Lump Sum Scheme or Pension Scheme entitlement in cash. Taxable (untaxed) amounts over $1,615,000 will be taxed at the highest marginal rate plus medicare levy. If your marginal tax rate is lower, you may be eligible for reduced tax when you lodge your next tax return. For the 2021–22 financial year.

When commencing an Income Stream or commuting a pension entitlement, you need to be aware of your personal Transfer Balance Cap and the amount that can be rolled over into a retirement phase account, such as the Super SA Income Stream. Any amounts in the accumulation phase, such as Triple S and the Super SA Flexible Rollover Product, are not counted towards your Transfer Balance Cap.

For further information please call the ATO Super helpline on **13 10 20** or visit **www.ato.gov.au**.

Proportioning of entitlements

Any entitlement taken in cash or rolled over must have the tax components calculated in the same proportions as the components that make up your total entitlement. You can't select only tax-free contributions. This means that payments in cash or rollovers will contain taxable amounts and you may need to pay tax on these.

The information outlined above is based on an interpretation of current laws. These laws may change at any time. It is recommended that you speak to a financial adviser regarding how they may apply in your particular circumstances.

Division 293 tax for high income earners

If the sum of your income and relevant concessionally taxed contributions is over $250,000 per year, you'll be taxed at 15% of your relevant concessional contributions above the $250,000 threshold. If you are liable for the tax you'll receive notification from the ATO advising you of the amount payable and your payment options. The ATO will issue a Division 293 tax amendment that may be made up of:

- a due and payable amount in respect of accumulation interests (e.g. Triple S)
- a deferred payment in respect of defined benefit interests (e.g. Lump Sum and Pension Scheme).

For further information about the Division 293 tax, please refer to the Division 293 Tax fact sheet on the Super SA website or the ATO website.

Superannuation surcharge

Surchargeable contributions are your Notional Defined Benefit contributions plus any salary sacrifice contribution. A tax, called the Superannuation Surcharge, was imposed by the Commonwealth Government on your surchargeable contributions once your Adjusted Taxable Income reached certain levels. The tax was introduced on 20 August 1996 and levied until 30 June 2005.

Any surcharge liability accrued prior to 1 July 2005 will be payable upon leaving the Lump Sum Scheme or on commencement of the Pension income. Members can elect to use a portion of their super entitlement to pay any outstanding surcharge liability rather than paying this with after-tax money.

More detailed information on the surcharge can be found on the Lump Sum or Pension Surcharge fact sheet(s), available from the Super SA website.

Further information

Fact sheets and the following Product Disclosure Statements (PDSs) may be of assistance if read in conjunction with the information presented here:

- Lump Sum: Retirement
- Pension and Lump Sum: Government co-contributions
- Pension: Retirement
- Pension: Surcharge
- Lump Sum: Surcharge
- Super SA Flexible Rollover Product PDS
- Super SA Income Stream PDS

Fact sheets on a range of topics relating to your super are available on the Super SA website and from Super SA. Alternatively, if you have any enquiries regarding tax or any other matters raised in this fact sheet, please contact Super SA.

We're here to help

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