

## Superannuation tax

As the Australian Government's preferred retirement savings vehicle, superannuation receives more tax advantages than other types of savings and investments. For instance, investment earnings on your superannuation benefit are excluded from your income for tax purposes and benefits are tax-free once you reach age 60. Some tax applies to superannuation at various stages though.

### Contributions tax

The standard contributions tax rate of 15% applies to all employer contributions, including salary sacrifice contributions, and is deducted directly from your LGsuper account. If you do not provide your tax file number or exceed the contributions limits this tax increases to the top marginal rate of 46.5%.

Contributions tax is not paid on voluntary contributions from after tax earnings.

### Investment earnings tax

Income from investment returns is also subject to a 15% tax. However, the actual tax rate payable by super funds is generally less than 15% because of allowable deductions, tax credits, rebates and offsets. The investment earnings you receive are the amount after the deduction of tax on investment income.

### Tax on lump sum withdrawals

Any lump sum you withdraw from LGsuper is generally made up of two components—tax-free and taxable.

### Tax-free

The Tax-free component is always tax free and includes any pre-July 1983 component at 30 June 2007 and all after-tax contributions paid in, such as:

- > super co-contribution
- > spouse contributions
- > voluntary contributions for which no tax deduction has been claimed
- > any tax-free components of money transferred from other super funds to LGsuper
- > any tax-free components of eligible termination payments transferred to LGsuper
- > any amounts that are tax-free as a result of total and permanent disability or terminal illness
- > CGT-exempt contributions (lifetime limit)

### Taxable

The rest of your money is called the Taxable component, and generally grows with:

- > employer and salary sacrifice contributions
- > voluntary contributions for which a tax deduction has been claimed
- > investment earnings

Your taxable component is taxed as follows, depending on your age when you make a withdrawal.

Your age	Taxable component
Under 55	Taxed at 21.5% including medicare levy
55—59	First \$160,000 tax-free (2010/11), amounts above taxed at 16.5%
60 plus	Tax-free

Any withdrawals you make will be taken in line with the proportions of your total benefit that are tax-free or taxable. You are unable to choose the tax components your withdrawal comes from.

### Tax on pension payments

Tax is payable on pension payments in much the same way as income or salary. However, there are tax advantages that do not apply to salary (e.g. a tax-free component and 15% tax offset). The Pension accounts guide (PDS) sets out these details.

### Tax on disability or terminal illness

If you are totally and permanently disabled before age 60, an additional portion of your benefit will become tax-free. Your full benefit will be tax-free if you are terminally ill.

### Tax on death benefits

Death benefits are tax-free if paid to a dependant as defined by the ATO. A spouse (married, de facto or same sex partner), a child under the age of 18 years (including step-children and adopted children), anyone who is financially dependent on the member at the time of death, and those in an interdependent relationship are considered dependants for tax purposes. If paid to anyone else though, the taxable component will be taxed at 16.5% and any untaxed component is taxed at 31.5%

### Surcharge

The superannuation surcharge is a tax that, until 1 July 2005, applied to the employer contributions made for higher income earners. See our *Surcharge info sheet* for details.

### Reasonable benefit limits

Before 1 July 2007 there were caps on the amount of super you could have taxed at lower rates. These were known as reasonable benefit limits (or RBLs). See our *Reasonable benefit limits info sheet* if you need more details.

### Any questions?

LGsuper is here to help. Contact us on 1800 444 396 to talk through your options and have your questions answered.

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