



How is super taxed?

Tax & super

Your super money can be taxed at three stages: when it goes into the fund (contributions), while it is in the fund (investment earnings) and when it leaves the fund (super benefits).

Understanding how your super is taxed can help you benefit from tax concessions and avoid costly mistakes.

- How super contributions are taxed
- How investment earnings are taxed
- How super withdrawals are taxed
- How death benefits are taxed
- Super withdrawal and re-contribution strategies

How super contributions are taxed

The amount of tax you'll pay on your super contributions depends on the type of contribution and your personal circumstances.

Employer and salary sacrificed contributions

Also known as concessional contributions, employer and salary sacrificed super contributions are taxed at 15% when they are received by your super fund.

Smart tip

Make sure you have given your tax file number to your super fund to avoid paying more tax on your super.

Low income earners

If you earn \$37,000 or less, the tax on your super contributions (up to \$500) will be automatically added back into your super account through the low income super tax offset (LISTO).

High income earners

If your combined income and super contributions exceed \$250,000 you will pay Division 293 tax. This is an additional 15% tax on the lesser of your concessional contributions or the amount in excess of the Division 293 income threshold.

Personal contributions

After-tax personal contributions, and those received under the government's co-contribution scheme, are not taxed when they are put into your super fund.

Consolidating super

In most cases, when money is transferred from one super fund to another when consolidating or switching funds, no additional tax is payable. Tax may only be payable if you are moving from an untaxed fund, such as an older style public sector fund for government employees.

There are limits on how much you can contribute to super and there are penalties for going over these limits. See super contributions.

How investment earnings are taxed

Income which is earned in the fund (investment earnings) is taxed at a maximum rate of 15%. Capital gains on assets held for longer than 12 months within the fund will be taxed at 10%.

The amount of tax your fund pays can be reduced by tax deductions and or tax credits. For example, a growth fund may only pay an average of 7% tax because its dividend income entitles it to tax credits.

How super withdrawals are taxed

When you become eligible to access your super you can take a super income stream to provide you with a regular income, or you can withdraw all or part of your benefit as a lumpsum.

Super income streams

The tax treatment of super income streams is covered in detail on our retirement income and tax page. If you are aged 60 or over, your income will usually be tax-free. If you are under age 60 you may pay tax on your super pension.

Lump sum withdrawals

If you are aged 60 or over, any withdrawals from a taxed super fund are tax-free. Different rates may apply to untaxed funds, such as government super funds.

If you access your super before age 60 you may pay tax on withdrawals. You can withdraw up to the low rate threshold, currently \$210,000, tax-free. This is a lifetime limit and is indexed annually. The threshold does not include the tax-free portion of your super account, which will be returned to you tax-free. Any amounts over the low rate threshold will be taxed at

17% (including Medicare Levy) or your marginal tax rate, whichever is lower.

If you are withdrawing a lump sum from super and are younger than your preservation age, the lump sum will be taxed at 22% (including Medicare Levy) or your marginal tax rate, whichever is lower. There are limited circumstances under which you can access super before your preservation age.

While you can access a lump sum this may not necessarily be the best strategy for you. We recommend you seek financial advice before making a decision to withdraw funds from your super.

Source: Money Smart
(ASIC)

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