Australian Government
Commonwealth Superannuation Corporation

# Tax and your PSSap super

Issued 23 September 2024

CSC — PSSap Public Sector Superannuation accumulation plan

The information in this document forms part of the Product Disclosure Statement for the Public Sector Superannuation accumulation plan (PSSap), issued on 23 September 2024, twenty-second edition. Tax in super is very complex and subject to change from time to time. This document is only intended to provide general information about the significant tax implications of super as at 23 September 2024.

# Things to remember when reading this document

This ‘Tax and your PSSap super’ document forms part of the PSSap Product Disclosure Statement available at csc.gov.au/pds or you can obtain a paper copy free of charge by calling **1300 725 171**.

Any financial product advice in this document is general advice only and has been prepared without taking account of your personal objectives, financial situation or needs. Before acting on any such general advice, you should consider the appropriateness of the advice, having regard to your own objectives, financial situation and needs. You may wish to consult a licensed financial adviser. You should obtain a copy of the PSSap Product Disclosure Statement and consider its contents before making any decision regarding your super.

Commonwealth Superannuation Corporation (CSC) ABN: 48 882 817 243 AFSL: 238069 RSEL: L0001397 Trustee of the Public Sector Superannuation accumulation plan (PSSap) ABN: 65 127 917 725 RSE: R1004601

Information in this document is up to date at the time of preparation, but we may make changes from time to time. Any changes that are not materially adverse will be updated on our website at csc.gov.au/pds

# Contents

# How super is taxed

Tax and super—it's a complex topic, and the rules change from time to time. Even so, it's good to get a handle on the main points.

Having a super account won't stop you paying tax, but it can reduce how much tax you pay on your income while you're working, on your super's investment returns and on the retirement income you receive.

Right now, super is taxed in three ways:

1. When contributions are made to your super
2. When you withdraw from super
3. When an investment return is incorporated into your super balance.

There are other areas of super that have tax implications—for example, receiving a lump sum payment from an insurance claim, or claiming super early because of special circumstances.

To guide you on how tax on super works, we've started with 'The basics' in the next section, then listed some of the more common questions in the 'What happens if' section, organised by:

- Tax on contributions (page 6)
- Tax on withdrawals (page 11)
- Tax on investment earnings (page 11)
- Tax on claims (page 12).

It's good to understand how your tax file number (TFN) takes a lead role in the tax you pay on super. If you haven't given us your TFN, it's worth looking at page 14 where we explain how these three little letters may help your super savings a lot.

If anything's unclear or you have a question we haven't answered, call us—we're here to support you. Our contact details are on the last page of this booklet.

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This booklet outlines general information about the more significant tax implications for your super that you need to know, and it's valid as at 23 September 2024. Contact a professional who's in the know about all things tax—like a financial adviser or tax accountant—to get personal advice that's specific to your situation. For more information refer to the ATO.

# The basics

## Tax and contributions

The amount you can contribute to super and the tax you pay on contributions is managed through a system called contribution caps, which is in place for before and after-tax contributions.

### Before-tax contributions

**Also known as concessional contributions**, before-tax contributions are generally taxed at a lower rate than your income tax—currently, it's 15%.

We deduct contributions tax from contributions when we receive them.

Right now, the concessional contribution cap is set at $30,000[1] per year (2024–25 Financial Year), and if you receive more than this amount into your account, you may pay a higher rate of tax on amounts over $30,000.

A catch-up rule can apply for some people who have a total super balance of less than $500,000 on 30 June of the previous financial year. If you meet certain conditions, your concessional contribution cap may be increased. For more information speak to your accountant or refer to the ATO website.

#### Examples

- Your employer's regular contributions to your total super account, also called super guarantee contributions.
- Salary sacrifice contributions you make through an agreement with your employer.
- Any contributions you make to your PSSap account that you intend to claim as a personal tax deduction.

For more information about contributions tax and caps, speak to your accountant or refer to the ATO.

[1] The before-tax (concessional) contribution cap increases in line with average weekly ordinary time earnings (AWOTE), in increments of $2,500, rounded down.

## After-tax contributions

**Also called non-concessional contributions**[2], after-tax contributions don't attract any more tax—and if your total super balance is less than $1.9m, you can make and receive non-concessional contributions to the value of $120,000. This is known as your non-concessional contribution cap.

Customers whose total super balance was less than $1.66m at 30 June of the previous financial year may be able to contribute $360,000 over three years under a bring-forward arrangement, subject to age limits and other eligibility criteria. This is called the 'three year bring forward rule'.

If your contributions go over your non-concessional contribution cap, you may be taxed at the highest marginal tax rate, plus the Medicare levy.

### Examples

- Personal contributions you make to your PSSap account from money that's already been taxed.
- Contributions made by your spouse.
- Contributions made with proceeds from the sale of small business assets that were in excess of the capital gains tax cap. Visit the ATO website for more information.
- Concessional contributions made in excess of the concessional contributions cap that are not released from super under the relevant release authority.

# Tax and withdrawals

## Taxable and tax-free components

Because of the way super rules have changed over the years, withdrawals from super have tax-free and taxable components.

**Your tax-free component may include:**

- Personal contributions to your super from your after-tax salary (where you didn't claim a tax deduction)
- Spouse contributions
- Government co-contributions
- Downsizer contributions (for more information refer to the ATO)
- Tax-free components transferred to PSSap from other super funds
- Any tax-free amount that was 'crystallised' (the name for an ATO tax-mapping process) as at 1 July 2007
- A capital gains tax (CGT) exempt component.

Your tax-free component is a fixed amount that increases only when any of the tax-free contribution types listed above are paid into your super account[3].

**Your taxable component**

The taxable component of your lump sum benefit is your 'total account balance' minus the tax-free component.

[2] The non-concessional contributions information in this section is valid as at 23 September 2024 and the ATO may update it annually in July. For more information refer to the ATO.

[3] Note: The tax-free component can change where a total and permanent disablement payment is being made. For more information refer to the ATO.

# What happens if?

## Tax on contributions

| What happens if... | The short story | Need more? |
|---|---|---|
| I make or receive super contributions? | How much tax you pay depends on a number of factors, including:<br>1. The type of contribution it is—that is, whether it's a before or after-tax contribution.<br>2. How much you've received into your super account.<br>3. Your income for super purposes. | See:<br>• The basics on page 5. |
| I make salary sacrifice contributions? | This happens when you make an arrangement with your employer to have a portion of your wage 'sacrificed' as an extra contribution to your super, before you pay tax on it.<br>Salary sacrifice contributions count towards your concessional contribution cap and are taxed at 15%.<br>There's a limit to how much extra you can salary sacrifice into super. The combined total of your employer and salary sacrificed contributions must be within your concessional contribution cap—or you may have to pay extra tax. | See:<br>• The basics on page 5. |

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# What happens if?

**Tax on contributions**

| What happens if... | The short story | Need more? |
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| **I receive spouse contributions?** | There are two main points to consider here:<br>1. No tax is payable on contributions made to your PSSap account by your spouse, but they do count towards your after-tax (non-concessional) contribution cap.<br>2. Your spouse may be eligible for a tax offset that's up to a maximum of $540[4] a year, if:<br>• you weren't working or had an income of less than $37,000 a year (i.e. your assessable income and reportable fringe benefits were less than $37,000 a year). Your spouse may still receive a partial tax offset if you earned up to $40,000 a year;<br>• you and your spouse were Australian residents at the time they made the contribution;<br>• they made an after-tax contribution of $3,000 in that year (they can contribute more but the tax offset won't increase);<br>• you were under 75 when the contributions were made;<br>• at 30 June in the financial year of the contribution, your after-tax contributions were within the non-concessional contribution cap; and<br>• your total super balance was equal to or did not exceed the transfer balance cap immediately before the start of the financial year in which the contributions were made. | **Defining 'spouse' for tax purposes:** Your spouse includes the person you are married to, a person you're in a relationship with (including a same sex partner) and that relationship is registered under state or territory law, or another person who is not legally married to you but lives with you on a genuine, domestic basis, in a relationship as a couple.<br>See:<br>• After-tax contributions on page 6. |
| **I want to split some of my super contributions with my spouse?** | Contributions splitting allows you to transfer part of the before-tax (concessional) contributions made to your super account in the previous financial year to your spouse's super account.<br>You can also request contribution splitting for contributions received in the current financial year if you are closing your super account.<br>Here are the general guidelines:<br>• You can ask to transfer the lesser of 85% of your before-tax contributions made in a financial year, and the concessional contributions cap for that financial year.<br>• You can do this at any age, but your spouse must be either:<br>◦ under age 60; or<br>◦ aged between 60 and 65, and not retired.<br>If you want to apply to split before-tax contributions that you intend to claim a personal tax deduction for, you must give us your 'notice of intent to claim or vary a deduction for personal super contributions' **before** you lodge your contributions splitting application.<br>Contributions splitting doesn't reduce the amount counted towards your concessional contribution cap. | |

[4] The spouse contribution tax offset eligibility information in this section is valid as at 23 September 2024 and the ATO may update it annually in July. For more information refer to the ATO.

# What happens if?

| Tax on contributions | | |
|---|---|---|
| **What happens if...** | **The short story** | **Need more?** |
| **I transfer super from another fund to PSSap?** | No tax is payable if the funds have already been taxed.<br>Tax is payable if the amount being transferred includes any untaxed amounts. Untaxed amounts are taxed at the before-tax rate of 15%, and the concessional contribution cap applies. | See:<br>• Before-tax contributions on page 5.<br>For more information refer to the ATO. |
| **I get a low income superannuation tax offset (LISTO)?** | You may be eligible[5] to receive a low income super tax offset (LISTO), which is a government super contribution of up to $500 per financial year, paid to your super account.<br>The purpose of the payment is to 'refund' the 15% tax paid on before-tax super contributions that you or your employer paid into your super fund.<br>To be eligible for the LISTO each year:<br>• you must have a taxable income of $37,000 or less;<br>• you lodge a tax return and 10% or more of your total income comes from business and/or employment, OR you don't lodge a tax return and 10% or more of your total income comes from your employment;<br>• you or your employer must make before-tax super contributions—this includes super guarantee contributions; and<br>• you must have not held a temporary resident visa at any time during the year.<br>Tax is not charged on LISTO contributions and the LISTO does not count towards a contribution cap.<br>New Zealand citizens in Australia are also eligible for LISTO payments. | See:<br>• Before-tax contributions on page 5<br>• TFN, your super saver on page 14.<br>For more information refer to the ATO. |
| **I get a government super co-contribution?** | The government's super co-contribution payment is designed to help low-to-middle income earners boost their super.<br>If you make a personal, after-tax contribution (also called a voluntary contribution) and you're eligible to receive a co-contribution based on how much you earn in a year, the government may contribute to your super account.<br>Right now, the maximum co-contribution is $500 a year.<br>You don't need to apply for it. If you've provided your TFN, you've made a voluntary, after-tax contribution and your income meets eligibility criteria, the ATO will transfer the co-contribution to your account.<br>You don't pay tax on the co-contribution when it goes into your account and it doesn't count towards your non-concessional (after-tax) contribution cap. | See:<br>• After-tax contributions on page 6<br>• TFN, your super saver on page 14.<br>For more information refer to the ATO. |

[5] LISTO eligibility information in this section is valid as at 23 September 2024. For more information refer to the ATO.

# What happens if?

| Tax on contributions | | |
|---|---|---|
| **What happens if...** | **The short story** | **Need more?** |
| **My income is high?** | If your annual income plus your super contributions for that year add up to more than $250,000[6], you'll pay an extra 15% contributions tax on after-tax contributions. This is called the Division 293 tax.<br><br>The ATO will send you a notice of assessment if this applies to you. | For more information refer to the ATO. |
| **I want to claim a personal tax deduction on my after-tax contributions?** | Depending on your age, you may be able to claim a personal tax deduction on after-tax (non-concessional) contributions made to your super account.<br><br>If you're eligible to claim this deduction, you must complete a 'notice of intent to claim or vary a deduction for personal super contributions' form.<br><br>We'll review your notice and if we accept it, we'll process your request and provide you with an acknowledgement. You'll need this for your tax return.<br><br>When we process your request, we'll deduct 15% tax from the before-tax contribution amount, so this means contributions that you claim a personal tax deduction for generally count towards your concessional contribution cap.<br><br>The other thing you need to know is that timing is important. You'll need to submit your notice **before** the following events occur:<br>• You lodge your tax return for the financial year in which the contribution was made.<br>• 30 June of the next financial year (e.g. 30 June 2025 for contributions made in the 2023–24 Financial Year).<br>• You close your account or stop being a member of PSSap.<br>• CSC no longer holds the contributions because you made a withdrawal or transferred the money to another super fund, or started an income stream. | For more information refer to the ATO.<br><br>See also:<br>• The basics on page 5<br>• Tax Deductions on our website. |

[6] The Division 293 tax information in this section is valid as at 23 September 2024. For more information refer to the ATO.

# Tax on withdrawals

The following table provides information on the tax you'll generally pay on money you withdraw from your PSSap account, based on your age.

**Note:** You'll generally need to meet a condition of release to withdraw money from your PSSap account.

| What happens if... | The short story | Need more? |
|---|---|---|
| **I'm 60 or older?** | Withdrawals from super are usually tax free if you're 60 or older. | See Early access to super on our website for more information. |
| **I'm under age 60?** | Withdrawals: Withdrawals from super include tax-free and taxable components.<br>• **Tax-free component:** You don't pay tax on this component of your super.<br>• **Taxable component:** You'll usually pay 20% tax plus the Medicare levy. | See Taxable and tax-free components on page 6.<br>For more information visit Early access to super. |
| **I transfer my PSSap super balance to another super fund or a complying income stream product?** | These transactions are considered 'rollovers' rather than withdrawals from super, so they're generally tax free.<br>Untaxed components are taxed at 15%, up to the untaxed plan cap amount[7]. | For more information visit CSCri, CSC's income stream option. |

# Tax on investment earnings

Investment earnings in your PSSap account are taxed at concessional rates of up to 15% because we're a complying super fund. Sometimes the tax rate is less than 15% because of the concessional tax treatment allowed for long-term capital gains and franking credits.

[7] For the 2024–25 Financial Year, the untaxed plan cap amount is $1,780,000. It is indexed annually. For more information refer to the ATO.

# Tax on claims

| What happens if... | The short story | Need more? |
|---|---|---|
| **I have an Income Protection insurance claim?** | If you have a successful Income Protection insurance claim through your PSSap lifePLUS cover, amounts paid to you are generally taxed as normal income.<br><br>The insurer withholds PAYG income tax for you before paying your benefit (in much the same way as your employer would with your normal income). At the end of the financial year, you'll get a payment summary to submit to the ATO with your tax return.<br><br>Part of your benefit includes super contribution payments of 15.4% for the length of your claim. Though these are not super guarantee payments like your employer normally makes, they count towards your concessional contribution cap and are treated as concessional contributions for tax purposes (so they're taxed at 15%). | See:<br>• Before-tax contributions on page 5<br>• TFN, your super saver on page 14. |
| **I have a Terminal Illness claim?** | Withdrawals from super are generally tax free if you are terminally ill. | Call **1300 725 171.** |
| **I have a Total and Permanent Disability (TPD) insurance claim?** | Rules vary depending on your age.<br><br>**If you're under 60**, here's what to expect:<br>• We may recalculate part of the normal taxable component of your benefit so that it forms part of the tax-free component.<br>• Generally, the tax-free component is increased to take into account how long you could have expected to be gainfully employed if you didn't have to make a TPD claim. This amount is calculated using your age, the number of service days (i.e. years being a PSSap customer) and the benefit amount.<br>• Your adjusted, tax-free and taxable components are taxed at the rates that apply to regular withdrawals from super.<br><br>**If you're 60 or older**, your benefit is tax-free. | Call **1300 725 171.** |

# What happens if?

| Tax on claims | | |
|---|---|---|
| **What happens if...** | **The short story** | **Need more?** |
| **I die?** | If you die and your super (plus insurance benefits, if applicable) is paid as a lump sum to your dependant (for tax purposes), it's tax free.<br>A dependant for tax purposes includes:<br>• your spouse or former spouse;<br>• your child who is under 18;<br>• any person you have an interdependent relationship with; and<br>• any person who was wholly or substantially financially dependent on you when you died.<br>If you die and your super (plus insurance benefits, if applicable) is paid as a lump sum to a non-dependant (for tax purposes):<br>• There's no tax charged on the tax-free component.<br>• Tax is charged at 15% plus the Medicare levy on the taxable component (taxed element).<br>• Tax is charged at 30% plus the Medicare levy on the taxable component (untaxed element). An untaxed element may occur if the lump sum death benefit includes an insurance payment. | **Defining 'spouse':** Your spouse includes the person you are married to, a person you're in a relationship with (including a same sex partner) and that relationship is registered under state or territory law, or another person who is not legally married to you but lives with you on a genuine, domestic basis, in a relationship as a couple.<br>**Defining 'interdependent':** A close personal relationship is a relationship between two people who live at the same address, characterised by either or both supporting the other financially, and with domestic and personal care duties.<br>If not all of these conditions are met, a person may be considered an interdependent only if the reason they do not meet a condition is due to the disability of either party, whether physical, intellectual or psychological.<br>For further information call **1300 725 171**. |

# TFN, your super saver

While you don't have to give us your tax file number (TFN), giving it to us means you may pay less tax—and that's good for your super.

Under the *Superannuation Industry (Supervision) Act 1993*, we're authorised to collect, use and disclose your TFN.

## How we use your TFN

We only use your TFN for approved, legislative reasons, which include:

- telling the ATO so they can validate your TFN, tax and super co-contributions;
- giving it to another fund if you're transferring your super from PSSap to another super fund (unless you ask us not to, in writing);
- receiving it from another super fund if you're transferring money to your PSSap account; and
- using it to search for and consolidate your super benefits that might be in held in various accounts.

The reasons for supplying your TFN and what happens if you choose not to may change if legislation changes. We'll let you know if it does.

# The pros and cons of providing it

From a fund perspective, having your TFN makes it easier for us to process your super contributions. And, specifically for super contributions, withdrawals and claims, here's what it looks like with and without a TFN.

| If we have your TFN | If we don't have your TFN |
|---|---|
| We'll be able to process all permitted contribution types to your PSSap account, and you won't have to pay more tax than you need to. This includes:<br>• **before-tax contributions**—like your employer's super guarantee contributions and any before-tax salary sacrifice arrangement you have in place with your employer; and<br>• **personal, after-tax contributions**—made by your employer if you set up an agreement with them, or directly by you to help grow your super balance. | **Before-tax contributions:** We'll only be able to process before-tax employer and salary sacrifice contributions but they'll be taxed at the highest marginal tax rate plus the Medicare levy.<br>**After-tax contributions:** We can't accept after-tax contributions, and if we get one we'll have to return it to the contributor. |
| If you're eligible for the government's low income super tax offsets (LISTO), you'll get them automatically. | You won't be eligible for LISTO payments. |
| If you're eligible for the government's super co-contributions, you'll get them automatically. | You won't be eligible for super co-contribution payments. |
| If you start drawing your super benefits or receive a lump sum, you'll only pay the tax that you have to. | Your benefit payments may be taxed at a higher rate (unless you give us your TFN by an agreed date).<br>Note that if you don't provide it, you may be able to reclaim the extra tax deducted through your income tax assessment process. |

**What's in it for you?**
You'll be able to find different super accounts in your name, useful for consolidating super accounts or finding lost super.

# Other super and tax considerations

## The super transfer balance cap

The transfer balance cap is a lifetime cap on the amount of super you can transfer from your regular super account (e.g. your PSSap account) to a tax-free, retirement income stream account when you reach your preservation age.

From 1 July 2017, the government introduced a limit on the amount of super you can transfer to a retirement-phase account. It's called the transfer balance cap and it's currently set at $1.9m.

From 1 July 2021, each person has a personal transfer balance cap between $1.6m and $1.9m. If you start your first retirement income stream on or after 1 July 2023 you will have a personal transfer balance cap of $1.9m.

So, from a tax perspective, what does this mean for you?

- If the total amount in your retirement income stream account(s) was within the transfer balance cap when you set it up, but it grows over time through investment earnings to reach more than your personal transfer balance cap, this isn't considered to be exceeding your cap—so there's no extra tax payable.
- If the amount in your retirement income stream account(s) goes down over time, you can't 'top it up' if you've already used your lifetime cap to set up your retirement account(s).
- If you go over your transfer balance cap, you may have to remove excess amounts from one or more retirement phase income streams and pay tax on the estimated earnings related to any excess amounts.

For more information about transfer balance caps, refer to the ATO.

# Temporary residents permanently leaving Australia

If you're a temporary resident permanently leaving Australia and do not claim your super from us within six months, we are required to transfer it to the Australian Taxation Office (ATO). If we transfer your super to the ATO, you'll need to contact the ATO to claim it. For more information refer to the ATO, including how you can apply to have this super paid to you as a departing Australia superannuation payment (DASP) after you leave and the full eligibility criteria.

Under the Australian Securities and Investments Commission relief, we are not required to provide you an exit statement if we transfer your super to the ATO in these circumstances.

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