How super is taxed

23 August 2024

All our forms and publications are available at **spiritsuper.com.au/forms** or call us on **1800 005 166**, and we'll send you a copy.

The information in this document forms part of the *Product disclosure statement* (*Member guide*) for Spirit Super dated 23 August 2024.

This fact sheet provides a brief summary of the tax implications applicable to super. Tax on super can be very complicated. We strongly recommend you confirm your individual tax situation with your tax adviser. The tax and legislative information given in this fact sheet is based on laws as at 1 July 2024.

Providing your tax file number (TFN)

When you invest with us, we'll ask you for your TFN. By providing us with your TFN, you may avoid paying more tax and be eligible for government entitlements. When we have your TFN we can accept personal contributions to your account so you can top up your balance, and it makes it easier for you to keep track of your super over time.

We're required to properly safeguard your TFN and are only authorised to collect, use or disclose it for approved super and tax purposes, including:

- matching contributions and rollovers to your account
- advising the Australian Taxation Office (ATO) for tax purposes
- advising the ATO of your benefits should you become lost to the fund
- making it easier to find super accounts in your name
- consolidating super accounts within and across funds[1]
- helping the ATO determine whether you're eligible for the co-contribution or low income super tax offset
- taxing super payments at concessional rates.

[1]We'll provide your TFN to the trustee of another super fund if your benefits are transferring to that fund unless you tell us in writing not to.

These approved purposes may change in the future.

Your employer is obliged to pass on your TFN to the fund receiving your employer-related super contributions.

For more details about providing your TFN, call us on **1800 005 166**, contact the ATO on **13 10 20** or visit **ato.gov.au**.

Extra tax payable when you don't provide your TFN

If you don't provide us with your TFN, you may incur an additional tax of 32% on top of the usual 15% contributions tax rate applicable to assessable contributions such as employer contributions (including salary sacrifice contributions). You may be able to claim the additional tax back if you provide us with your TFN within three years of the end of the income year in which the relevant contributions were made.

Tax and super

Super can be a tax-effective way to save for your retirement. Understanding how different taxes work may help maximise your benefits.

Your super may be taxed when:

- it's contributed to the fund
- it earns income in the fund
- it's withdrawn from the fund.

Tax rules relating to super are subject to change. Limits or thresholds may be updated from year to year. This is a summary only that doesn't take into account your individual circumstances. You should refer to **ato.gov.au/super** for further information and consult an appropriately qualified adviser about your personal situation.

Tax on contributions

Super contributions are generally either before-tax (concessional) contributions or after-tax (non-concessional) contributions. The main difference is when you can make them and how they're taxed.

Before-tax (concessional) contributions include:

- employer contributions, including super guarantee (SG) and other compulsory employer contributions
- salary sacrifice contributions (which are also employer contributions)
- personal contributions you've successfully claimed a tax deduction for.

Before-tax contributions are generally subject to a tax rate of 15%. This is called a 'contributions tax'.

However, if your combined income and before-tax contributions go over $250,000 a year, you may pay an extra 15% on some or all of your before-tax contributions, as advised by the ATO.

Contributions tax is deducted from your account when employer contributions and salary sacrifice contributions are received. It's also deducted when you claim a tax deduction for personal contributions you've made.

If you earn $37,000 or less you may be eligible to receive some or all of this tax back with the government's low income super tax offset, up to $500.

You can check how much contribution tax has been deducted from your account in **Member Online** and on your statements.

After-tax (non-concessional) contributions include:

- personal contributions you haven't claimed a tax deduction for
- spouse contributions.

Generally, you don't pay any tax on after-tax contributions (as you or your spouse already paid income tax on these amounts).

We must have your TFN to receive personal and spouse contributions for you, and your total super balance (across all funds you participate in) must be less than $1.9 million at 30 June 2024 for you to be able to make after-tax contributions without paying extra tax.

For more information about tax contact the ATO on **13 10 20** or visit **ato.gov.au**.

Contribution caps

There are limits to how much you can contribute to super each financial year. These are known as contribution caps. There are two caps to be aware of: a before-tax (concessional) cap and an after-tax (non-concessional) cap.

If you go over these caps, you'll generally pay extra tax.

Type of contribution	Contributions cap 2024-25
Before-tax (concessional)	$30,000[2]
After-tax (non-concessional)	$120,000[3]

[2]You may be able to increase your before-tax cap by carrying forward unused before-tax (concessional) cap amounts from 1 July 2019. Conditions apply. For more details read our *How super works* fact sheet. | [3]You can't make any after-tax contributions in 2024-25 without incurring extra tax if your total super balance (across all funds you participate in) was $1.9 million or more at 30 June 2024. If you're under 75 you may be able to contribute after-tax contributions of up to three times the annual limit in a single year (up to $360,000) without needing to pay extra tax, however your total super balance may also impact your ability to do this. For more details read our *How super works* fact sheet.

Contribution caps apply to the total of all your super accounts (across all super funds you participate in). If you have more than one account, you need to add up the contributions you've made across all accounts to see if you've stayed under the caps. You should check with your other funds, even if they've been transferred to Spirit Super since the contributions were made.

Excess contributions

If your super contributions in a financial year exceed the applicable contributions caps, the ATO will let you know how much extra tax you need to pay and how to do this.

You should keep an eye on your super contributions to make sure you don't go over the contributions caps and have to pay more tax.

Excess before-tax contributions

Contributions that go over the before-tax (concessional) cap are included in your assessable income for the relevant year and taxed at your personal marginal tax rate including the Medicare levy, minus a 15% tax offset.

There are two options for paying tax on your excess before-tax contributions:

1. **Release your excess amounts** – you can withdraw up to 85% of your excess before-tax contributions from your super to help pay your income tax assessment. Released amounts are paid directly to the ATO, who will pay any outstanding tax or other Australian Government debts you may have and refund any remaining balance to you.
2. **Leave the excess amount in your super** – you pay the assessed amount of excess contributions tax to the ATO using money outside of super. In this case, your excess before-tax contributions will count towards your after-tax (non-concessional) cap and could be taxed up to 94%.

If you don't tell the ATO how you want to pay your excess before-tax contributions, option 2 will automatically apply.

Excess after-tax contributions

You can choose how your excess after-tax contributions are taxed from the following options:

1. **Release your excess amounts** - you can withdraw your excess after-tax contributions and up to 85% of the associated earnings from your super account. If withdrawn, the earnings (less a 15% tax offset) will be taxed at your personal tax rate including the Medicare levy. Released amounts are paid directly to the ATO, who will pay any outstanding tax or other Australian Government debts you may have and refund any remaining balance to you.
2. **Leave the excess amount in your super** - your excess contributions will be taxed at the highest marginal tax rate of 47%, including the Medicare levy. The tax liability must be withdrawn from your super account.

If you don't tell the ATO how you want to pay your excess after-tax contributions, the ATO may issue a release to your super fund on your behalf under option 1. If the amounts are unable to be released under option 1, the ATO will proceed with option 2. If you have insufficient funds in your super account to pay the released amount, your account may be closed which could result in the loss of any insurance cover held in your account.

Transferring money from another fund to Spirit Super

Generally, transfers from a taxed source aren't taxed when added to your super. However, if you're transferring from an untaxed super fund (for example, some public sector schemes), the untaxed element will be taxed at 15%.

Claiming tax deductions for contributions

If you make personal contributions to your account, you may be eligible to claim a tax deduction for some or all of these amounts.

Any personal contributions you successfully claim a tax deduction for will count towards your before-tax (concessional) cap. You'll also have to pay contributions tax on the amount you've claimed a deduction for – this will be deducted from your account once your tax deduction claim has been accepted by us.

You can't receive a government co-contribution for personal contributions you've claimed a tax deduction for.

If you're 67 or over but under 75, you'll need to satisfy the work test if you want to claim this tax deduction. This means you must work for at least 40 hours in a consecutive 30-day period during the financial year that you made the personal contributions.

The ATO will administer the work test at the time you lodge your income tax return.

You may be able to access a limited exemption to the work test if you:

- satisfied the work test in the financial year before the year in which you made the contribution
- had a total super balance of less than $300,000 (across all funds you participate in) on 30 June of the previous financial year
- not used the work test exemption previously.

For more details, including what is required to successfully claim a tax deduction, read our *Claiming tax deductions for contributions* fact sheet.

Spouse contributions

A spouse contribution is an after-tax contribution made into the super fund of an eligible spouse (including a de facto partner). It's a great way for partners to help grow each other's super, particularly if one partner takes a break from work or earns much less than the other.

It can also have tax benefits. If the spouse receiving the contribution earns less than $40,000 (defined as total assessable income plus reportable fringe benefits plus reportable employer super), the spouse making the contribution may be eligible to claim a tax offset for some or all the money they contribute on their partner's behalf.

The tax offset is equal to 18% of the contributions made, up to a maximum of $540. You'd need to contribute $3,000 for an eligible spouse to qualify for the maximum tax offset.

The tax offset reduces by $1 for every dollar of income the receiving spouse earns above $37,000 each year, phasing out at $40,000.

Any contributions made will count towards the receiving spouse's after-tax (non-concessional) cap (not the cap belonging to the person who made the contribution). See *Contribution caps* on page 2 for more information.

Conditions apply. For more details, read our *Boost your spouse's super* fact sheet.

Tax on investment earnings

Investment earnings are taxed at up to 15%, depending on your investment option. The actual rate of tax paid may be less due to the effect of various tax credits, deductions and offsets. The amount of tax payable is taken into account when calculating the unit price for each investment option and is deducted before the earnings are reflected in your account balance.

Tax on withdrawals

If you're under 60, you may pay tax on super withdrawals. If you're 60 and over, super withdrawals are tax-free.

Super accounts are made up of a tax-free component and a taxable component. When you access super, the amount withdrawn is paid proportionately from both components (you can't choose which component your withdrawal is paid from). You can check your tax components for your balance in **Member Online** or by contacting us.

All taxes are deducted from your payment before you receive it, except for compassionate grounds applications. Taxes for compassionate grounds applications are deducted from your remaining account balance, so the amount you receive won't be affected.

Your age	Tax on the tax-free component	Tax on the taxable component[4]
Under 60	Nil	Your marginal tax rate or 22%, whichever is lower. We'll deduct 22% at the time of the payment. If your marginal tax rate is lower, you may get some of this tax back when you lodge your personal income tax return.
60 and over	Nil	Nil

[4]Tax rates shown include the Medicare levy. This table shows the tax rates applied to withdrawals with a taxed element. If your taxable component includes an untaxed element, additional tax may be applied to that element.

Higher tax rates will apply if you access your super as a departing temporary resident. Read the *Tax on departing Australia super payments* section on this page for more details.

Tax on death benefits

Lump-sum payments

No tax is payable on lump-sum death benefits paid to a person classed as a dependant for tax purposes, such as:

- your current or former spouse (including de facto partner)
- your child under age 18
- any person who was dependent upon you at the time of your death or
- any person in an interdependency relationship with you.

Children 18 years and over must be financially dependent on you at the time of your death to be considered a dependant for tax purposes. Adult children who aren't financially dependent on you can still receive your super death benefits. However, they'll be assessed as non-dependants for tax purposes.

The amount of tax paid by non-dependants will depend on the taxable and tax-free components of the account.

Dependency under tax law	Tax on the tax-free component	Tax on the taxable component[5]
Dependant	Nil	Nil
Non-dependant	Nil	**Taxed element** – taxed at the recipient's marginal tax rate or 17%, whichever is lower. **Untaxed element** – taxed at the recipient's marginal tax rate or 32%, whichever is lower.

[5]Tax rate includes the Medicare levy.

Death benefit income streams

Certain dependant beneficiaries may be eligible to convert a super death benefit into an income stream. Read our *Pension guide* available at **spiritsuper.com.au/pds** for more details.

Tax on permanent disablement and terminal medical conditions

You may pay less tax if you access your super due to permanent disablement. Lump-sum payments due to a terminal medical condition are tax-free.

Tax on departing Australia super payments

If you're a temporary resident working in Australia, your employer must make compulsory super contributions (if eligible) on your behalf. You may be able to claim this super if you're leaving Australia and your visa has ceased. This is called a 'departing Australia super payment' (DASP).

The type of visa you held determines the tax rate of your DASP, as shown below:

Component of DASP	DASP ordinary tax rate	DASP working holiday maker tax rate[6]
Tax-free	0%	0%
Taxable component – taxed element	35%	65%
Taxable component – untaxed element	45%	65%

[6]You're considered a working holiday maker if you held a 417 or 462 visa or a bridging visa associated with a 417 or 462 visa.

For more details, read our *Temporary residents departing Australia* fact sheet or contact the ATO on **13 10 20** or visit **ato.gov.au**.

More information

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