

A flood levy may apply to superannuation lump sum and pension payments during 2011-12

From 1 July 2011, a Temporary Flood and Cyclone Reconstruction Levy ('flood levy') may apply if your taxable income is more than \$50,000 for the 2011-12 financial year.

Certain superannuation lump sum and pension benefits paid during 2011-12 may be included in your taxable income for that financial year.

The flood levy will apply to taxable income for the 2011-12 financial year only and, subject to any relevant exemptions, may apply as follows:

Taxable income	Flood levy
\$0 to \$50,000	Nil
\$50,001 to \$100,000	0.5% for each dollar over \$50,000
Over \$100,000	\$250 + 1% for each dollar over \$100,000

Note: The flood levy does not apply to: (i) people with a taxable income of \$50,000 or less for 2011-12, (ii) pension or lump sum super payments to members aged 60 and above (unless there is a taxable component—untaxed element), (iii) rollover payments, (iv) death benefits paid to dependants (as defined by tax law), (v) lump sum payments due to terminal illness, (vi) Departing Australia Superannuation Payments, (vii) lump sum benefits of less than \$200, or (viii) payments to exempt persons (refer to the ATO website www.ato.gov.au for definitions of an exempt person).

Lump sum payment example

You have met a condition of release and withdraw \$250,000 as a lump sum from your super during 2011-12, of which \$175,000 is taxable.

In addition to the benefits tax that may be payable on the lump sum, a flood levy of \$1,000 may be payable on the full amount of the taxable component of your lump sum as follows:

$$\begin{aligned}\text{Flood levy} &= \$250 + 1\% \text{ on taxable component above } \$100,000 \\ &= \$250 + [1\% \times (\$175,000 - \$100,000)] \\ &= \$250 + [1\% \times \$75,000] \\ &= \$250 + \$750 \\ &= \$1,000\end{aligned}$$

Pension payment example

You are aged 56 and receive \$40,000 in pension payments from your super during 2011-12, of which \$28,000 is taxable.

PAYG Withholding tax rules apply to the taxable component of your pension. If you have no other taxable income for 2011-12, the flood levy will not be payable, as your total taxable income is less than \$50,000.

Alternatively, if you are aged 56 and receive \$100,000 in pension payments from your super during 2011-12, of which \$65,000 is taxable, in addition to PAYG Withholding tax that is withheld from your pension payments, a flood levy of \$75 may be payable on the taxable component of your pension payments as follows:

$$\begin{aligned}\text{Flood levy} &= 0.5\% \text{ on taxable component above } \$50,000 \\ &= 0.5\% \times (\$65,000 - \$50,000) \\ &= 0.5\% \times \$15,000 \\ &= \$75\end{aligned}$$

You should note that any flood levy payable on your superannuation benefits may have implications on your overall tax obligations for 2011-12, depending on your personal circumstances. You may wish to consider seeking professional advice in this regard.

For more information on the flood levy

Please visit the ATO website www.ato.gov.au or contact them by phone on 180 22 66.

OSF Investor Services

Phone	1800 023 928 between 8.30am and 5.00pm (Sydney time) Monday to Friday
Email	osfms@colonialfirststate.com.au
Fax	(02) 9303 7700
Mail	GPO Box 4758, Sydney NSW 2001
Internet	www.osfsuper.com.au