

How super is taxed



REFERENCE GUIDE: This Reference Guide was issued on 1 November 2011 and forms part of the Product Disclosure Statement (PDS) for Division F dated 1 November 2011. The Reference Guide should be read in conjunction with the PDS and is not intended to be read as a document in its own right. The Reference Guide may be updated at any time. You can download the current PDS or Reference Guide from our website osfsuper.com.au or by calling us on 1800 023 928.

Superannuation may be a tax-effective way of saving for your retirement compared to other types of investments. However, there can be significant tax implications associated with super.

Important! The taxation system is complex and different rules may apply depending on your individual circumstances. The information in this Reference Guide is an overview of some of the tax implications as at the date of preparation (1 November 2011), but changes may occur in the future. You should consider seeking professional taxation advice before making any decisions that affect your financial future.

The importance of providing your tax file number (TFN)

Under the *Superannuation Industry (Supervision) Act 1993*, the OSF trustee is authorised to collect your TFN, which will only be used for lawful purposes. These purposes may change in the future as a result of legislative change. We may disclose your TFN to another superannuation provider when your benefits are being transferred, unless you ask us in writing not to disclose your TFN to any other superannuation provider.

Advantages of providing your TFN to us

You do not have to provide your TFN and it is not an offence to choose not to provide it. However, providing your TFN may have the following advantages (which may not otherwise apply):

- The fund will be able to accept all types of contributions that can be made to your account (as allowed under the OSF's trust deed for your membership division).
- The tax rate on contributions to your account will not increase.
- Other than the tax that may ordinarily apply, no additional tax will be deducted when you withdraw your super benefits.
- It will make it much easier to trace different super accounts in your name so that you receive all your super benefits when you retire.
- It will be easier for any super co-contribution to be paid to your account if you are eligible.

In this Reference Guide...

Importance of providing your tax file number	1
Tax on contributions	2
Tax on lump sum benefits	2
Tax on investment earnings	3
Tax on lump sum death benefits	3
Flood Levy during 2011-12.....	3
Spouse tax offset (rebate)	4
Tax on payments to temporary residents	4
Superannuation surcharge tax	4

If you complete a TFN declaration for your employer, they are required to notify us of your TFN. If, at any time, you have provided your TFN to your employer for superannuation purposes, they are required to notify us of your TFN when a contribution or allocation is made to your account.

To provide your tax file number	Log in to your account at our website and go to 'Tax File Number' under the Account Admin menu option
	Complete a <i>Tax File Number Declaration</i> (available at the back of this Reference Guide or our website)

Additional uses of TFNs

The government also allows super fund trustees to make greater use TFNs, which may include locating and notifying you of any lost or unclaimed super accounts that you may have or consolidating multiple accounts that you may have in the OSF.

Tax on contributions

Concessional contributions (ie. employer contributions, salary sacrifice contributions and personal concessional contributions)	<ul style="list-style-type: none"> Contributions up to the concessional contributions cap of \$25,000¹ per person per year (or \$50,000 if the transitional cap applies to you²) are taxed at 15%. Excess concessional contributions above the cap are taxed at 15% plus an additional 31.5% tax³. If you have not provided your TFN, contributions from employers other than Commonwealth Bank may incur an additional 'no-TFN contributions' tax of 31.5%. This tax is different to, and may be payable as well as, the additional tax on excess concessional contributions outlined above.
Non-concessional contributions (ie. personal after-tax contributions and spouse contributions)	<ul style="list-style-type: none"> No tax applies to contributions up to non-concessional contributions cap of \$150,000¹ per person per year. Excess non-concessional contributions above the cap are taxed at the highest marginal rate.

No tax applies to a super co-contribution paid to your account or when super is transferred between super accounts or funds.

Refer to the **Reference Guide: Boost your super** for more information on the types of contributions that can be made to super and the contribution caps that apply.

Tax on lump sum benefits

Depending on your age, tax may be payable on any super that you withdraw from your account in cash. Withdrawals must be made proportionally from the tax-free and taxable components of your super (ie. you cannot choose to withdraw solely from the tax-free component).

If you are...	Tax applying to your super
Age 60 or over	<ul style="list-style-type: none"> All super benefits are tax-free.
Preservation age ⁴ to age 59	<ul style="list-style-type: none"> No tax is payable on the first \$165,000⁵ of the taxable component. The amount of the taxable component over \$165,000 is taxed at 16.5%. The flood levy may be payable on the full amount of the taxable component (refer to page 3).
Under your preservation age ⁴	<ul style="list-style-type: none"> The taxable component is taxed at 21.5%. The flood levy may be payable on the taxable component (refer to page 3).

* All tax rates include 1.5% Medicare levy.

Note: Different tax treatment may apply to withdrawals if you are a temporary resident (refer to page 4).

We will generally deduct any tax payable on the taxable component of your lump sum and forward it to the ATO.

Example: You have satisfied a condition of release to access your super and decide to withdraw a cash lump sum of \$400,000. Your benefit has a tax-free component of \$180,000 and a taxable component (taxed element) of \$220,000.

If you are aged 60 or over when you withdraw your benefit, no tax applies on the total lump sum amount of \$400,000.

If you are aged between your preservation age and 59, you will pay no tax on the tax-free component (\$180,000) or the first \$165,000 of the taxable component but you will pay \$9,075 in tax on the remaining taxable component (ie. 16.5% x [\$220,000 - \$165,000]). If you are under your preservation age, you will pay \$47,300 in tax (ie. 21.5% on the full taxable component).

In addition if you are aged 59 or under, a flood levy of \$1,450 may be payable on the full taxable component (refer to page 3).

1- The \$25,000 concessional contributions cap applies for the 2011-12 financial year. This amount may be indexed for subsequent years. The transitional cap is not indexed. The non-concessional contributions cap is six times the concessional contributions cap and will therefore increase accordingly.

2- The transitional cap applies to members aged 50 years or over until 30 June 2012.

3- You may be able to or be required to withdraw money from your super account to meet any additional tax liability in accordance with an Australian Taxation Office (ATO) release authority.

4- If you were born before 1 July 1960, your preservation age will be 55. If you were born from 1 July 1960 to 30 June 1964, your preservation age will be between 56 and 59 depending on your actual year of birth. If you were born on or after 1 July 1964, your preservation age will be 60. Refer to **Reference Guide: Access to your super** for more information on preservation age.

5- This is the low rate threshold figure for the 2011-12 financial year and may be indexed in future years. It is a lifetime threshold that applies to all of your superannuation lump sum payments

What are the taxable and tax-free components of your super?

Super benefits are taxed based on two components.

Component	Includes
Taxable component	<ul style="list-style-type: none"> The taxable component is the value of your benefit minus the value of the tax-free component
Tax-free component	<ul style="list-style-type: none"> All contributions made to your super from 1 July 2007 for which no tax deduction is claimed Post 30 June 1994 Invalidation component (the tax-free part of a Total and Permanent Invalidation benefit) Capital Gains Tax (CGT) exempt component (proceeds from the sale of active assets of a small business deemed to be used for retirement; maximum lifetime CGT exemption is \$500,000) Concessional component (redundancy, invalidity and approved early retirement scheme payments made prior to 1 July 1994) Pre-1 July 1983 component (relates to service or membership of a super fund before 1 July 1983) Undeducted contributions (relates to personal member contributions for which no tax deduction has been claimed)

Tax on investment earnings

Tax (currently up to 15%) applies to the investment returns that apply to your super. This tax is not deducted directly from your account; it is factored into the unit price calculation for each investment choice option.

Tax on lump sum death benefits

The way that a death benefit is taxed depends on whether it is paid to a dependant or non-dependant, as defined by tax laws. The definition of dependant under tax laws and super laws may be different. When considering the tax implications of a death benefit, you should consider the definition that applies under tax laws.

If a death benefit is paid to a...	The following tax applies...
Dependant	The whole benefit is tax-free
Non-dependant	<p>Taxable component (taxed element) is taxed at 16.5%</p> <p>The flood levy may be payable on the benefit (refer below)</p> <p>Note: Any taxable component (untaxed element) is taxed at 31.5%.</p>

* All tax rates include 1.5% Medicare levy.

If your super is payable to you in cash because you have satisfied the condition of release of having a terminal medical condition (as defined under super law), the lump sum may be tax-free when paid to you.

Who is a dependant under tax law?

Tax laws define 'dependant' as:

- The deceased's current or former spouse or de facto spouse (whether of the same or opposite sex)
- The deceased's child under age 18
- Any person who was financially dependent the deceased at the time of death
- Any person with whom the deceased had an interdependency relationship at the time of death.

A flood levy may apply to lump sum 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 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

Example: You have met a condition of release and withdraw \$250,000 as a lump sum during 2011-12, of which \$175,000 is taxable. In addition to the benefits tax that may be payable (refer to page 2), a flood levy of \$1,000 may be payable on the full amount of the

taxable component of your lump sum (ie. $\$250 + (1\% \times [\$175,000 - \$100,000]) = \$250 + (1\% \times \$75,000) = \$250 + \$750$).

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.

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) lump sum benefits of less than \$200, (vii) Departing Australia Superannuation Payments, or (viii) payments to exempt persons (for definitions of an exempt person, refer to the ATO website www.ato.gov.au).

Tax offset (rebate) in relation to spouse contributions

If you contribute to your spouse's super, you may be entitled to a tax offset (rebate) for your spouse contributions.

In order for a spouse contribution to be eligible for the tax offset, ALL of the following conditions must apply:

- The contribution is a non-concessional contribution on behalf of the spouse, which must be preserved under super law (subject to normal conditions of release).
- The contributing spouse must not claim a tax deduction in relation to the contribution.
- Both the contributing spouse and the receiving spouse are Australian residents when the contribution is made and are either (i) married, (ii) in a relationship registered under a prescribed state/territory relationships register, or (iii) living together on a genuine domestic basis in a relationship as a couple.
- The total of the receiving spouse's assessable income plus reportable fringe benefits and reportable employer super contributions is less than \$13,800.

Note: If your spouse is aged 65 to 69, in order to receive a spouse contribution they will need to declare that they have been gainfully employed for at least 40 hours within a period of 30 consecutive days during the financial year. If your spouse is aged 70 or over, they are not eligible to receive a spouse contribution.

Tax on payments to temporary residents

If you are or were a temporary resident, the following tax may apply to a Departing Australian Superannuation Payments (DASP) application made on or after 1 April 2009:

- No tax on the tax-free component
- Taxable component (taxed element) taxed at 35%
- Taxable component (untaxed element) taxed at 45%.

Note: The taxable component will normally consist solely of a 'taxed element' in the fund.

Refer to the **Reference Guide: Access to your super** for more information on the payment of benefits to temporary residents.

Superannuation surcharge tax

Superannuation surcharge was a tax on surchargeable contributions that were accrued by higher income earners after 20 August 1996. This tax was abolished from 1 July 2005. However the ATO can make surcharge assessments or amended surcharge assessments after 1 July 2005 for surchargeable contributions made in previous years. If you have a surcharge liability, you do not need to take any action. We must debit your liability amount from your account and pay it to the ATO on your behalf.

For more information

[View or print copies of this PDS or Reference Guides, forms or other documents](#)

Internet osfsuper.com.au

Intranet CommNet or HR Intranet sites > Employee Benefits > Our Super Fund (accessible to Group employees only)

[Access your account online](#)

Login osfsuper.com.au

[Contact us](#)

Phone 1800 023 928 between 8.30am and 5.00pm (Sydney time), Monday to Friday

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Fax (02) 9303 7700

Mail GPO Box 4758 Sydney NSW 2000

This Reference Guide was prepared and issued by Commonwealth Bank Officers Superannuation Corporation Pty Limited (ABN 76 074 519 798, AFSL 246418), Ground Floor 201 Sussex Street, Sydney NSW 2000, as trustee of the Officers' Superannuation Fund (OSF) (ABN 24 248 426 878, SPIN OSF0001AU). The information in this Reference Guide is general information only and does not take into account your individual objectives, financial situation or needs. You should consider the information contained in the PDS and this Reference Guide and its appropriateness, having regard to your objectives, financial situation and needs, before making a decision about this product or whether to acquire or continue to hold the product. You should seek professional advice tailored to your personal circumstances from a licensed financial adviser. The PDS is available and can be obtained from our website osfsuper.com.au or by calling us on 1800 023 928.

Officers' Superannuation Fund Tax File Number Notification

1 July 2010

Commonwealth Bank Officers Superannuation Corporation Pty Limited (ABN 76 074 519 798, AFSL 246418, RSEL L0003087)
as Trustee for the Officers' Superannuation Fund (OSF) (ABN 24 248 426 878, RSER R1056877).

Please phone OSF Investor Services on **1800 023 928** with any questions about this form.

*Please complete this form using BLACK INK and print well within the boxes in CAPITAL LETTERS. Mark appropriate answer boxes with a cross like the following **X**. Start at the left of each answer space and leave a gap between words.*

Providing your Tax File Number to the Trustee

Under the *Superannuation Industry (Supervision) Act 1993*, the Trustee of the OSF is authorised to collect your Tax File Number (TFN), which will only be used for lawful purposes.

These purposes may change in the future as a result of legislative change. The Trustee may disclose your TFN to another superannuation provider when your benefits are being transferred, unless you ask us in writing not to disclose your TFN to any other superannuation provider.

Advantages of providing your TFN to the Trustee

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- The OSF will be able to accept all types of contributions that can be made to your account (as allowed under the OSF's Trust Deed and Rules for your membership division).
- The tax on contributions to your account will not increase.
- Other than the tax that may ordinarily apply, no additional tax will be deducted when you withdraw your superannuation benefits.
- It will make it much easier to trace different super accounts in your name so that you receive all your super benefits when you retire.

1. INVESTOR DETAILS

OSF account/member number

Title Mr Mrs Miss Ms Other

Full given name(s)

Surname

Postal address

Unit number

Street number

PO Box

Street name

Suburb

State

Postcode

Daytime phone number

Date of birth

2. YOUR TAX FILE NUMBER

I agree to supply my TFN (provided below) to the OSF Trustee:

Member's signature

Date

Please send the completed form to:

Mail: OSF Investor Services, GPO Box 4758, Sydney NSW 2001

Fax: (02) 9303 7700 Email: osfms@colonialfirststate.com.au