

Fact Sheet

Calculating tax on your superannuation lump sum payments

#11

A change for the better – components have been simplified

The superannuation changes that became effective from 1 July 2007 have greatly simplified how tax is calculated on a lump sum benefit that you may be paid from your superannuation such as leaving service, retrenchment or permanent disablement benefit. (Please refer to *Fact Sheet #3* for details on preservation and when you may access your superannuation).

Your superannuation account is divided into portions, or components, for the purposes of determining the tax that has to be deducted from your benefit before you receive it.

What are the components ?

Before you turn age 60

If you receive your benefit before you reach age 60, it will be divided into two components:

- 1) A tax-free component, made up of:
 - > A fixed amount calculated by us as at 30 June 2007. This will stay a fixed amount from 30 June 2007 onwards, and includes:
 - any amounts related to your employment before 1 July 1983;
 - your personal, non-concessional (after-tax) contributions made up until 30 June 2007;
 - any other special amounts related to disablement or CGT concessions.
 - > Any non-concessional contributions made for you since 1 July 2007;
 - > Any additional tax-free amount paid as a result of your total and permanent disablement or terminal illness.
(If you meet the definition of terminal illness, your benefit payment will be fully tax-free).
- 2) A taxable component, which is the balance of your benefit after the tax-free component has been deducted. However, after you reach your preservation age, \$165,000* of the taxable component is also tax-free. This amount is called the low rate tax-free threshold and is counted towards all withdrawals made.

After you turn age 60

The benefit is fully tax-free, so the calculation of components is not relevant.

What tax is payable on the components?

The tax payable from a taxed fund depends on what your preservation age is, according to the following table:

Component	Under preservation age**	Between preservation age and age 59**	Age 60 or over
Tax-free	Tax-free	Tax-free	Tax-free
Taxable	Taxed at 20% plus Medicare levy.	First \$165,000* free, and balance taxed at 16.5% including Medicare levy.	Tax-free

* For 2011/2012. This figure will be indexed in the future in \$5,000 increments.

** Amounts withdrawn must be withdrawn from each component in the proportion that each component bears to your total account balance.

NOTE: If you do not provide your Tax File Number, we are required to deduct tax at the top marginal rate from the taxable component of your superannuation lump sum prior to age 60.

These components also apply to disability lump sum payments, however, the tax-free component may also include a portion representing future service. The taxable component is the balance remaining after deducting the tax-free amount from the total benefit payable.

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The taxation information included in this brochure is a general guide only. As taxation laws are complex and individual circumstances vary, you should seek individual taxation advice from a qualified advisor.

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