

TAXATION

This fact sheet is dated 1 July 2023. It provides additional information not contained in the Active Super Account-Based Pension Plan Product Disclosure Statement (PDS) and therefore forms part of the PDS dated 1 July 2023. This fact sheet is available free of charge at activesuper.com.au/pds or you may request a copy from our Member Care team on 1300 547 873.

OVERVIEW

In addition to the tax information provided in the PDS, there are tax implications in other areas of your superannuation. Please note that the information in this fact sheet represents Active Super's understanding of taxation law as at date of issue. However, we recommend that you seek your own professional tax advice.

GOODS AND SERVICES TAX (GST)

Your contributions to and withdrawals from Active Super are not subject to GST. However, GST is included in some fees paid by Active Super for management and investment services by the providers of those services.

In respect of some of those GST amounts, Active Super can claim back a portion (either 55% or 75%) of the GST incurred as a reduced input tax credit. This amount is credited to Active Super and the remaining amount (45% or 25%) is effectively included as an Active Super expense.

The tax-free component

Generally, the tax-free component includes all non-concessional contributions made from 1 July 2007 and the following benefit components that were in place prior to 1 July 2007:

- Pre July 1983 component
- CGT exempt component
- Post June 1994 invalidity component
- Concessional component and undeducted (now non-concessional) contributions.

When the Australian Taxation Office believes that your tax-free component during any one financial year is inappropriate to your circumstances, the Commissioner of Taxation may vary that amount. If you are under age 60 and your pension

commenced before 1 July 2007, you will keep your current deductible amount for tax purposes unless a trigger event occurs. Trigger events include full or partial commutations. When a trigger event occurs, the new taxation rules will apply, and the taxation of your pension will be calculated using the taxable and tax-free components. These matters are complex and require detailed calculation. You should consult a financial planner to determine what your deductible amounts are likely to be. A financial planner can also advise you in relation to the tax implications of commuting your pension.

The taxable component

The taxable component is the balance of your superannuation lump sum less the tax-free component.

The 15% annual tax rebate (offset)

If you are between the ages of 55 and 60 then you may be entitled to an annual tax offset on part of any benefits you receive as a pension (after age 60 superannuation payments are tax free). The offset is 15% of the taxable component. The method by which your offset is calculated is shown below.

Offset calculator

Amount of annual tax offset = 15% x taxable component. The offset applies if you are between 55 and 60, or you have retired due to permanent incapacity or a death benefit pension becomes payable.

SENIOR AUSTRALIANS AND PENSIONER TAX OFFSET

If you meet certain conditions, a tax offset will be available to you. The main conditions are:

- **Age:** you must meet the age requirement for the Age Pension which is 67 from 1 July 2023.
- **Eligible for a pension:** you must be receiving or be eligible to receive a Commonwealth Government age pension or similar payments. If you are eligible for a pension but are not receiving it because you have not made a claim or because of the application of the income or asset test, and you meet other Australian residency requirements, you will satisfy this requirement.
- **Income threshold:** your rebate income must be less than \$50,119 (single) or \$83,580 (couple) and \$95,198 for a couple living apart due to illness. You can choose to claim the offset in your tax return or through a reduction in the PAYG tax withheld from an income stream. If you would like the Trustee to reduce the PAYG tax on your pension payments to take account of your tax offset, please advise your financial planner or the Trustee.

TERMINAL ILLNESS BENEFITS

When a lump sum amount is paid for a member who has been approved for a payment under the condition of release relating to terminal illness, no tax is payable.

LOW RATE CAP

The low rate cap is the limit set on the amount of the taxable component of a super lump sum benefit that you can receive at a lower (or nil) rate of tax. It applies if you have reached your preservation age (55 if born before 1 July 1960) but are below age 60. After reaching age 60 your entire benefit, when withdrawn, is tax free.

For the 2023/24 financial year, the low cap is \$235,000 and is subject to indexation. The low rate cap is a lifetime limit.

TRANSFER BALANCE CAP

There is a limit of how much super can be transferred 'tax-free' into the retirement phase. If you breach this 'transfer balance cap', there may be consequences including paying additional tax. The general transfer balance cap is \$1.9 million as at 1 July 2023 and will be indexed to the consumer price index (CPI) in \$100,000 increments.

If you commenced your pension with a balance of less than the transfer balance cap and it has increased above the cap since commencement, you are not required to do anything.

For more information go to the ATO website at ato.gov.au

TAX TREATMENTS ON SUPERANNUATION LUMP SUM PAYMENTS FROM A TAXED SOURCE

COMPONENT	AGE LESS THAN 55 ¹	AGE 55–59 ¹	AGE 60
Tax-free component	Tax free	Tax free	Tax free
Taxable component	Taxed at 20%	Tax free up to the low rate cap amount with the balance taxed at 15%	Tax free

The Medicare levy of 2% is also payable upon any benefit where tax is payable.

WILL SOCIAL SECURITY BENEFITS BE AFFECTED?

Social security benefits depend on individual circumstances. Superannuation benefits may affect not only your social security entitlement, but also those of your spouse and/or dependants who may receive a benefit or pension after your death.

¹ For those born after 30 June 1960, age 55 is replaced with your preservation age.

You should seek advice from a suitably qualified professional about how this may affect you.

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