Australian Government
Commonwealth Superannuation Corporation

ADF Super
Australian Defence Force Superannuation

Tax and your ADF Super

Issued 2 June 2016

The information in this document forms part of the Product Disclosure Statement (PDS) for Australian Defence Force Superannuation (ADF Super), first edition, issued on 2 June 2016. ADF Super is available from 1 July 2016.

Tax in super is very complex and subject to change from time to time. This document is only intended to provide general information about the significant tax implications of super as at 2 June 2016.

For these reasons, we strongly recommend you refer to the Australian Taxation Office (ATO) website for more information and seek advice on the tax of your ADF Super from a licensed professional, such as a financial adviser or an accountant.

Super is currently taxed in three ways:

> contributions going into a fund can be taxed;
> investment earnings of a fund can be taxed; and
> tax may be payable on the benefits you receive from a fund.

Contributions into your super

Contributions into super are classified as non-concessional and concessional contributions.

Non-concessional contributions

Non-concessional contributions for tax purposes are paid from your after-tax income where no tax deduction has been claimed and include your member contributions. Non-concessional contributions paid to ADF Super are not subject to contributions tax in the Fund if these contributions, together with any other non-concessional contributions made by you or on your behalf to any other fund, do not exceed $180,000 per year, or $540,000 over three years for members under 65 (known as the three year bring forward rule).

Contributions over these amounts may be taxed at the top marginal tax rate, plus the Medicare levy.

Concessional contributions

These are before tax contributions, such as employer and salary sacrifice contributions.

Concessional contributions are taxed at 15% – this tax is deducted from the contributions when we receive them from your employer. A cap also applies to concessional contributions across all your super funds. The cap on concessional contributions is $30,000 per year. If you are 49 or over as at 30 June 2016 it is $35,000 per year.

Spouse contributions

A rebate/tax offset up to a maximum of $540 is available if you make contributions on behalf of your low-income or non-working spouse (including a de facto spouse), provided that your spouse's assessable income and reportable fringe benefits are less than $13,800 a year, and both you and your spouse are Australian residents at the time you make contributions. No tax is paid by the Fund on contributions made to ADF Super for you by your spouse or partner. For further information go to **ato.gov.au**

Rollovers

Benefits rolled over from another fund are not taxed at the time of the rollover, unless the amount includes components from an untaxed source. Untaxed components up to the untaxed plan cap amount are taxed at 15%.

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Investment earnings

Investment earnings of the Fund are taxed at concessional rates as ADF Super is a complying superannuation fund. Earnings are taxed at a concessional tax rate of 15%. The effective rate of tax incurred may actually be less than this because superannuation funds receive a capital gains tax discount as well on some capital gains and franking credits.

Tax on your ADF Super lump sum benefit

No tax will be payable on a lump sum benefit paid to you from the fund after you reach 60. Tax may be payable if you receive a lump sum benefit before reaching 60, see **Table 1**.

Instead of taking your benefit from ADF Super as a lump sum, you may wish to receive your benefit as a pension. There is no fee for doing this and no tax is payable if you roll your benefit over to a complying super fund. Note that tax is likely to be payable when receiving a pension.

Components of your lump sum benefit

Lump sum benefits comprise a tax-free component and a taxable component.

Tax-free component

The tax-free component of your lump sum consists of your member contributions from your after-tax salary, any super co-contributions and amounts which represent the portion of a super benefit that accrued before 1 July 1983.

Taxable component

The taxable component of your lump sum benefit is the total value of the superannuation benefit less the tax-free component. The taxable component is made up of employer contributions as well as earnings on all contributions and benefits rolled over from another fund. The rates of tax that apply to these components are set out in **Table 1**.

Note that any superannuation benefit is paid in the same proportion of tax-free and taxable components that make up the total value of the superannuation benefit just before the benefit is paid. However, to determine the tax-free component of a disability lump sum benefit, a modified version of this proportioning calculation is used resulting in an additional tax-free component of the superannuation benefit. This additional tax-free component considers factors such as your days to retirement and service days already completed.

Table 1: Tax on your lump sum benefit

Age	Rate of tax
60 and above	Tax-free
Preservation age to age 59	Tax-free component: nil
	Taxable component: > tax up to the low rate cap ($195,000 for the 2016–17 financial year and is indexed annually): 0% > any amount above the low rate cap: 15% plus the Medicare levy*
Below preservation age	Tax-free component: nil
	Taxable component: 20% plus the Medicare levy*

* In addition, a temporary 2% levy applies for the 2014–17 income years to individuals with a taxable income of more than $180,000 per year. The levy is payable at a rate of 2% of each dollar of a taxpayer's taxable income over $180,000. This will cease to apply from 1 July 2017.

Preservation age

Generally, you must reach preservation age before you can access your super. Use the following table to work out your preservation age.

Date of Birth	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
From 1 July 1964	60

Supplying my Tax File Number (TFN)

We are authorised to collect your TFN under the *Superannuation Industry (Supervision) Act 1993*. You do not have to supply it, but if you do not give us your TFN:

- benefits paid to you may be subject to a higher rate of tax (if you later supply your TFN, you may reclaim the additional tax from the ATO);
- we will not be permitted to accept contributions, other than employer contributions, for you;
- your employer contributions will be taxed at a higher rate – although a refund may be available on the extra tax paid after you supply the TFN; and
- it will be more difficult and could take longer for us to identify, consolidate and transfer your superannuation accounts.

The purposes of supplying your TFN and the consequences of choosing not to supply your TFN may change in line with future legislative change. We intend to use your TFN only for approved legislative purposes which include:

> advising the ATO for the purposes of validating your TFN, tax and super co-contributions;
> supplying your TFN to another fund if your benefit is transferred or rolled over (unless you request in writing that this not be done); and
> assisting in searching for and consolidating your benefits for you in the scheme.

Super co-contribution

The super co-contribution is a government contribution paid when an eligible after tax non-concessional contribution is made. The amount of the co-contribution is currently a maximum of $500 and is subject to an income threshold.

You do not need to apply for the co-contribution. If you have provided your TFN, have made a non-concessional contribution and are eligible to receive the co-contribution, the ATO will transfer the co-contribution to your account.

No tax is paid on the co-contribution when it goes into your account and it does not count towards either contribution cap. However, tax is payable on any investment earnings. For further information visit **ato.gov.au**

Low income superannuation contribution (LISC)

LISC is a government superannuation payment of up to $500 for the 2016–17 financial year to help individuals who earn up to $37,000 save for retirement. Payment of LISC will cease in respect of concessional contributions made on or after 1 July 2017. While LISC will continue to be payable in respect of concessional contributions made up to and including the 2016–17 income year, determinations of LISC will cease at 30 June 2019. For further information visit **ato.gov.au**

Reduction in tax concessions for high income earners

From 1 July 2012, individuals with an adjusted income greater than $300,000 will have the tax concession on their concessional contributions reduced from 30% to 15% (excluding the Medicare levy). For further information visit **ato.gov.au**