

Australian Enterprise Super

Taxation Incorporated Information

14 November 2011

The information in this document forms part of the Australian Enterprise Super Product Disclosure Statement dated 14 November 2011.

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You should consider this information and the information in the PDS before making a decision to invest in Australian Enterprise Super.

The information in this document is general information only and does not take into account your personal financial situation or needs. You should obtain financial advice tailored to your personal circumstances before making an investment decision.

This document was prepared and issued by Professional Associations Superannuation Limited ('PASL' or 'Trustee') (ABN 14 056 917 303 AFSL 222590 RSE L0000352) as trustee for Professional Associations Superannuation Fund (PASF) (ABN 78 984 178 687 RSE R1000429). Australian Enterprise Super is a division of PASF.

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1. Taxes and super

Taxation of super can be complex. The information shown here is based on interpretation of Australian tax law at the date of this document and may change from time-to-time.

We recommend that you obtain tax advice specific to your circumstances by consulting a licensed financial adviser or professional taxation adviser.

For general information about tax, go to www.ato.gov.au.

Please note that we have a broad power under the Trust Deed to manage any tax liabilities incurred by PASF or in respect of members or contributions. We may take whatever action we consider necessary or appropriate to calculate, pay, deduct or take account of any tax.

How taxes affect super

Super is taxed in a number of ways as outlined below.

Contributions tax

Concessional contributions, including your employer contributions and any contributions you make from your before-tax salary (salary sacrifice) are subject to tax at the rate of 15%. Contributions tax is deducted from your account in the month that any concessional contributions are paid in.

Deductible contributions made by self-employed persons are also subject to tax at the rate of 15%.

A higher rate of tax applies to concessional contributions, including deductible self-employed contributions, if we do not hold your Tax File Number (TFN).

Tax on investment returns

Tax (at a rate of up to 15%) is deducted from investment returns of each of the investment options before net returns are determined and allocated to members.

Surcharge

Surcharge tax was abolished from 1 July 2005, however we may still receive assessments from the Australian Taxation Office (ATO) for members affected by the surcharge in prior years. If so, any surcharge amounts will be deducted directly from your account.

2. Tax limits – contribution caps

There are legislated limits (caps) set by the Federal Government on the amount you can contribute to super and remain eligible for concessional tax treatment. The limits apply to all contributions you make to any super fund in a financial year (they don't apply to each fund separately).

These limits may be indexed each year at 1 July. The limits for the period 1 July 2011 to 30 June 2012 are shown below.

Excess contributions tax

If your contributions exceed the limits, you may be required to pay additional tax. Refer below for more information.

Concessional contributions

Concessional contributions include employer contributions, deductible contributions made by eligible self-employed persons and salary sacrifice contributions. The limit is \$25,000 per person each financial year.

Until 30 June 2012, if you are aged 50 or above a higher transitional limit of \$50,000 per person applies. Your age for contribution purposes is your age as at 30 June in the relevant financial year, so if you turn 50 during the financial year, the higher limit applies.

Any contributions above the concessional contributions limit will be taxed at the rate of 46.5% (instead of 15%) and the contributions will also count towards your non-concessional contributions limit (discussed below). The additional tax of 31.5% is called 'excess contributions tax'.

The ATO determines whether any excess contributions tax applies to you and if it does, will forward to you a tax assessment and a release authority.

It is up to you whether you pay the excess tax on concessional contributions directly to the ATO or arrange for us to pay the tax on your behalf (by deducting it from your super account). You do this by sending us the release authority.

Time limits apply to the payment of the excess contributions tax so if you receive a notice from the ATO you should not ignore it!

If you have a regular salary sacrifice contribution arrangement, including as part of a transition to retirement strategy, you should review and monitor your arrangement to ensure you do not exceed the concessional limit applicable to you.

If you want to find out more about dealing with an excess contributions tax assessment from the ATO, including whether you can obtain a refund of excess contributions, go to www.ato.gov.au.

Non-concessional contributions

Any non-concessional contributions made by you to your super will be subject to a cap of \$150,000 per financial year. The non-concessional contributions limit is set at six times the standard concessional contribution limit and will increase if the \$25,000 concessional contribution limit increases with indexation. Non-concessional contributions are any amounts you contribute from your after-tax salary. Non-concessional contributions may also include:

- > Certain amounts you transfer from overseas funds
- > Contributions made for you by your spouse, and
- > Excess concessional contributions.

If you exceed the non-concessional contribution limit, the excess will be taxed at the rate of 46.5%.

The same ATO assessment process applies to non-concessional contributions as concessional contributions. However, the excess non-concessional contributions tax must (usually) be paid from your super account.

If you are under age 65 and you want to make larger one-off payments into super, you have the option to bring forward up to two years of contributions (e.g. up to \$450,000). If you make non-concessional contributions of \$450,000 in a single year, you will be unable to make further contributions in the following two years.

The bring forward option is automatically triggered when your non-concessional contributions exceed \$150,000 in a particular year. Once this happens, the normal non-concessional contributions cap does not apply to



The bring forward option is only available for those under the age of 65 on the first day of the relevant financial year. If you are over age 65, the maximum lump sum you can contribute per year is \$150,000.



In any year in which you are 65 or more, you must meet a 'work test' to contribute to super, that is, you must be gainfully employed for at least 40 hours in a period of not more than 30 consecutive days during the year.

the next two years. Instead, your total contributions over the next two years cannot exceed \$450,000 minus the contributions you made in the year the bring forward option was triggered. The maximum you can contribute over a three year period without incurring excess contributions tax is \$450,000.

For more information about concessional contributions, non-concessional contributions, contribution limits and the payment of excess contributions tax go to www.ato.gov.au.

3. Tax on foreign pension transfers

Whilst normal transfers of super between Australian funds (rollovers) will not have any taxation implications (unless an untaxed element is involved), transfers from foreign pension (super) schemes will carry implications under Australian taxation law.

Not all foreign pension schemes allow transfers to Australian super funds – the pension schemes and laws of individual countries vary greatly and the source scheme will need to be consulted.

UK pensions can be transferred directly to Australian super funds that are Qualifying Recognised Overseas Pension Scheme (QROPS).

Specific UK fund rules may apply, so it is important to check requirements with the UK scheme first.

Professional Associations Superannuation Fund, of which Australian Enterprise Super is a division, is a Qualifying Recognised Overseas Pension Scheme (QROPS). Refer to the factsheet 'UK Pension Transfers' available on our website at www.aesuper.com.au for further information.

Tax on other payments into super

Employment termination payments

Employment termination payments transferred into your super account prior to 1 July 2012 (where allowed) may be subject to tax. Tax will be deducted from the taxable element of any employer termination payment at the rate of 15% upon receipt by us.

Other payments

Other payments that can be paid into super include amounts arising from personal injury settlement amounts and the proceeds from the sale of a small business. The rules relating to these payments are complex and there may be taxation implications for you.

For more information, go to www.ato.gov.au. We also recommend you seek advice from a licensed or authorised adviser about these types of payments.

4. Tax on benefits

The amount of tax payable on benefits paid from super depends on a number of factors including:

- > What type of benefit is paid (retirement, disability or death)
- > Who receives the benefit
- > How you receive the benefit (e.g. lump sum amount or pension)
- > Your age when you receive the benefit (if you are aged 60 or more, benefits are tax-free), and
- > The components of your benefit. Any lump sum amounts will usually consist of up to two components – a tax-free component and taxable component. The tax-free component is made up of any non-concessional contributions received into your account (and other concessional amounts such as crystallised amounts as at 30 June 2007 when the super tax rules changed). The taxable component is your total benefit less the tax free component. See 'Tax on benefits paid in cash' below for more information.

The information about tax on benefits assumes the taxable component of your benefit does not have an untaxed element. Higher rates of tax apply to untaxed elements of a taxable component.

Any tax is deducted prior to a benefit being paid to you. If we do not hold your TFN, the tax on benefits may be higher.

Tax on benefits paid in cash

Under 60 years of age

If you are under age 60 and receive your super benefit in cash, the taxable component of the benefit may be subject to tax, as follows:

- > If you are under your preservation age, the taxable component of your benefit will be taxed at 20% plus the Medicare levy.
- > If you are between your preservation age and age 60, the first \$165,000 of your taxable component will be free of tax and the remainder will be subject to tax at the rate of 15% plus the Medicare levy. The \$165,000 threshold is subject to indexation so may increase year-to-year.

60 years of age or over

If you are age 60 or over and receive your super benefit in cash, the taxable component of the benefit is tax free.

Regardless of your age any tax free element of your super is not taxed on withdrawal.

Death benefits

All death benefits paid to dependants are tax free. Death benefits paid to non-dependants (which includes, for taxation purposes, children over age 18 unless they were financially dependent or interdependent on you) are generally subject to tax at a maximum rate of 15% of the taxable component plus the Medicare levy. Any tax-free element of the benefit will be paid tax free to non-dependants.

In some cases where an insurance amount is contained within a death benefit this may give rise to an 'untaxed element'. Whilst untaxed elements are tax free to a dependent beneficiary, a higher rate of tax applies to this element (30% plus Medicare levy) if paid to a non-dependant.

Death benefits paid to your estate will be subject to tax depending on who ultimately receives the benefit.

Terminal illness

If you receive your benefit in cash because you have a Terminal Medical Condition (TMC), the benefit will be free of tax.

For taxation purposes, there are certain conditions you must satisfy in order to receive a benefit on the grounds of a TMC. You need certificates from two registered medical practitioners, one of which must be from a specialist practicing in the area related to your illness or injury. The medical practitioners must certify that you suffer from an illness or injury that is likely to result in death within 12 months. Your super can only be accessed tax-free during this 12 month period. (Please note that the conditions for receiving any insured terminal illness benefit may be different).

Income Protection

Income Protection benefits are treated as assessable income and are subject to tax at your marginal tax rate, plus the Medicare levy. This tax is deducted prior to the benefit being paid to you.

Temporary residents

If you held a temporary resident's visa (excluding subclasses 405 and 410) and claim your super money after departing Australia, your benefit will be subject to withholding tax as follows:

- > Tax free component – nil
- > Taxable component – 35%

Withholding tax also applies to former temporary residents who claim their super from the ATO rather than their super fund.

5. Providing your Tax File Number

Providing your TFN to us is not compulsory. However, why pay more tax on your contributions and benefits than necessary?

Under the *Superannuation Industry (Supervision) Act 1993*, we are 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 super provider when your benefits are being transferred, unless you make a written request to us that your TFN is not to be disclosed to any other super provider.

It is not an offence not to quote your TFN. However, giving your TFN will have the following advantages, which may not otherwise apply:

- > We will be able to accept all types of contributions to your account, in particular, member (non-concessional) contributions
- > No additional tax will apply on contributions (in particular, concessional contributions) made to your account
- > Other than the tax that may ordinarily apply, no additional tax will be deducted when you start drawing down your superannuation benefits, and
- > It will make it much easier to trace different superannuation accounts in your name so that you receive all your superannuation benefits when you retire.

If you provide your TFN to your employer, they are obliged to pass on your TFN to us within 14 days. However, this may not always occur so it is important that you ensure we have your TFN.

You can provide your TFN to us directly in the following ways:

- > Phone: 1800 555 024
- > Email: info@aesuper.com.au
- > Accessing Member Online Services via www.aesuper.com.au
- > Completing the *Tax File Number notification form* which can be downloaded from www.aesuper.com.au or request one to be posted by calling 1800 555 024.

If your TFN is provided to us after the year in which concessional contributions are received, any additional tax may be refunded. However this depends on when the TFN is received (that is, how many years after the concessional contributions are received by us and whether you have terminated your membership). We are not obliged to refund any additional tax incurred in relation to concessional contributions as a result of the absence of a TFN, however our policy is to do so where possible.

If you would like more information about this please contact us on 1800 555 024.

Contact us

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