

# Super taxes, caps, payments, thresholds and rebates



This document provides a useful one-stop reference guide to the tax rates, caps, thresholds and rebates that apply to superannuation contributions and payments.

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## 1. Tax and caps on contributions

Superannuation has certain tax benefits to encourage you to save for retirement. But there are caps on the amount you can contribute at concessional rates. The taxes and caps are different for before-tax (concessional) and after-tax (non-concessional) contributions. And the caps apply in total across all the funds to which you contribute; they do not apply to each fund.

In this document, we use the term 'before-tax' for concessional contributions and 'after-tax' for non-concessional contributions.

### Before-tax contributions

Before-tax contributions include:

- compulsory superannuation guarantee (SG) contributions paid by your employer on your behalf (currently 9.5%)
- salary sacrifice contributions
- personal contributions for which you claim a tax deduction.

The cap on before-tax contributions is \$25,000 each financial year (indexed in line with Average Weekly Ordinary Time Earnings (AWOTE) in \$2,500 increments). The cap applies to all funds receiving contributions from you or paid on your behalf. It's not an individual cap for each fund. The cap limits the amount of before-tax contributions that are taxed at the 15% concessional rate.

If you don't provide your tax file number, your before-tax contributions will also be subject to an additional 32% tax.



From 1 July 2018, you can carry forward any unused before-tax contributions cap for up to five years if your total super balance is less than \$500,000 on 30 June of the previous financial year. If you've had time out of the workforce, work part time or have irregular work patterns – and you have contributed less than the cap – you can roll over any unused cap amount for up to five years, allowing you to make additional contributions in future years. The first year in which you can access any unused concessional contributions cap that you have carried forward is 2019-20.

If you're a high-income earner with an adjusted taxable income of more than \$250,000 a year, the tax on your before-tax contributions is 30% rather than 15%. If your income is less than \$250,000 a year, but by including your before-tax contributions the total is more than \$250,000, the 30% tax rate will apply to the part of your before-tax contributions that are over \$250,000. For example, if your income is \$230,000 and your before-tax contributions are \$25,000, you only pay the 30% tax rate on \$5,000.

### After-tax contributions

After-tax contributions include any personal contributions that you make to your super for which you do not claim a tax deduction and spouse contributions.

From 1 July 2017, the cap on after-tax contributions is \$100,000 each financial year, calculated as four times the before-tax contributions cap.

However, if your total balance (across all your super funds) is more than \$1.6 million<sup>1</sup> at the start of the financial year, then your cap is nil.

If you are under 65 at any time during the financial year, you can use the 'bring forward' rule, which may allow you to make up to three years' worth of contributions (i.e. up to \$300,000) in a single year. If you have brought forward amounts under this rule in the 2016-17 financial year or the total you hold in super exceeds \$1.4 million (indexed), different rules apply. If you make the maximum contribution, you won't be able to make any more contributions during the three-year period.

## Summary of tax and caps on contributions

	Before-tax contributions	After-tax contributions
What is the cap?	\$25,000	\$100,000 <b>OR</b> \$0 if you have more than \$1.6m in super <b>OR</b> up to \$300,000 over a three-year period if you are under 65 on 1 July. (Legislation is being introduced to increase this age to 67. It is likely to pass both houses soon).
What tax is payable on these contributions?	15% tax on contributions up to the cap <sup>3</sup> . Any excess contributions will be taxed at your marginal tax rate (plus Medicare and other levies). There will also be a charge to cover the cost of collecting this tax later than normal tax. If you exceed the before-tax cap, you can apply to the ATO to have up to 85% of the excess contributions returned so they don't count towards your after-tax contributions cap.	If you exceed the after-tax contributions cap, you will have the opportunity to withdraw the excess from your super fund, together with 85% of the associated earnings using a release authority issued by the ATO. If you leave the excess contributions in your account, you will be taxed at the highest marginal rate (plus Medicare and any other levies).
If you haven't provided your tax file number	We cannot accept your personal contributions and your other contributions will be subject to an additional 32% tax.	We cannot accept your contribution.

<sup>3</sup> Generally, if your income plus your before-tax super contributions are more than \$250,000, you'll need to pay an extra 15% tax on the contributions that take your income over the \$250,000 threshold.

## 2. Tax on amounts transferred into Aware Super

Lump sum tax is not payable if you transfer money held in other super funds to Aware Super. However, if the amount transferred comes from a superannuation fund that has not been subject to tax (usually government retirement schemes), then the untaxed element of the taxable component (up to \$1.565 million for 2020-21) of that amount will be taxed at 15% on entry to the fund. For amounts over this threshold, the paying fund will deduct PAYG tax before sending the money.

## 3. Tax on amounts for those permanently departing Australia

Where superannuation is paid to a temporary resident who has permanently departed Australia, different tax treatments apply to the taxed and untaxed components of their benefit. For more information read [How to access your super at aware.com.au/factsheets](https://www.aware.com.au/factsheets)

## 4. Tax on investment earnings

The investment earnings of complying superannuation funds (including transition to retirement income streams but excluding retirement income streams) are taxed at a maximum of 15%. The actual rate may be less than 15% due to the effect of various tax credits and offsets.

The caps on contributions apply to all your super funds...  
not to each fund.



<sup>1</sup> This is the total superannuation balance, which is \$1.6 million for the 2020-21 financial year. Summary of tax and caps on contributions.



## 5. Summary of tax treatment of lump sum superannuation payments

Age or circumstance	Taxable component	Tax-free component
Total benefit under \$200	Tax free	Tax free
Under your preservation age	Taxed at 20% plus Medicare and other levies	Tax free
Preservation age or over but under age 60	Tax free up to the low rate threshold <sup>1</sup> of \$215,000 for 2020-21. Amounts above the threshold will be taxed at a flat rate of 15% plus Medicare and other levies	Tax free
Age 60+	All benefits from a taxed fund such as Aware Super are tax free <sup>2</sup>	
Death benefits	No tax is paid on lump sum death benefits paid to a death benefit dependant as defined in tax legislation. The taxable component of a lump sum paid to a non-dependant is taxed at 15% plus Medicare and other levies <sup>3</sup>	

<sup>1</sup> The low rate threshold is \$215,000 for 2020-21 financial year, and will be indexed in line with Average Weekly Ordinary Time Earnings (AWOTE) in \$5,000 increments.

<sup>2</sup> Departing Australia Superannuation Payments and death benefits paid to persons who are aged 60 or more may be subject to withholding tax.

<sup>3</sup> If the non-dependant does not provide their tax file number to the fund or the benefit includes an untaxed element (where insurance has been provided for the deceased member through the fund) higher rates of tax apply.

If you have not provided your TFN, tax will be withheld on the taxable component at the highest marginal rate if you are under age 60.



## 6. Summary of tax on income streams

Item	Tax treatment
<b>The amount you roll in to set up your income stream account</b>	Nil, unless the rollover contains an untaxed element as part of the taxable component.
<b>Investment returns</b>	Tax at up to 15% on earnings in a transition to retirement income stream. If you are over 60, income stream benefits are tax free.
<b>Regular income stream payments</b>	
Aged 60 or over	No tax, with or without your TFN.
Preservation age or over but under age 60	Taxed at your personal marginal tax rate plus Medicare and other levies (15% tax offset is available).
Under preservation age	Taxed at your personal marginal tax rate plus Medicare and other levies (with no tax offset. Tax offset of 15% is available if the payment is a disability superannuation benefit).
<b>Lump sum payments from your income stream</b>	See Section 5.
<b>Death benefits</b>	<p>No tax is paid on lump sum death benefits paid to a death benefit dependant as defined in tax legislation. The taxed element of the taxable component of a lump sum paid to a non-dependant is taxed at 15% plus the Medicare and other levies.<sup>4</sup></p> <p>Where the trustee makes a payment to the member's estate, it will be paid as a tax-free lump sum and the executor or legal personal representative of the estate will be responsible for paying the relevant tax.</p> <p>Income stream members can elect to have their death benefit paid as a reversionary income stream to their spouse. The taxation of a reversionary income stream depends on the ages of both the deceased member and reversionary beneficiary.</p> <p>The income stream will be tax free if either the:</p> <ul style="list-style-type: none"> <li>deceased member was aged 60 or older at the time when they died</li> <li>reversionary beneficiary is aged 60 or older (at the time the income stream payments are made).</li> </ul> <p>If these conditions aren't met, the reversionary beneficiary will pay tax as follows until they reach age 60, when the payments will be tax free:</p> <ul style="list-style-type: none"> <li>no tax will be payable on the tax-free component</li> <li>the taxable component will be included in the reversionary beneficiary's assessable income, but they will be entitled to a 15% tax offset.</li> </ul>

<sup>4</sup> If the non-dependant does not provide their TFN to the fund or the benefit includes an untaxed element (where insurance has been provided for the deceased member through the fund) higher rates of tax apply.

### Tax file number

If you are under age 60, you should complete a *Tax file number declaration* form. This form allows us to determine the amount of PAYG tax that is to be deducted from your income stream payments. It is not compulsory to supply your tax file number, but if you don't, PAYG tax will generally be deducted from your payments at the top marginal tax rate (plus Medicare and other levies). This form is included as part of the application form in the relevant *Member Booklet* for income stream members.

### Transfer balance cap

There is a limit called a transfer balance cap on the amount you can use to start (or hold at 1 July 2017 in) a retirement income stream. The cap is \$1.6 million for the 2020-21 financial year and this will be indexed in line with CPI in \$100,000 increments. The cap applies to the combined amount in all of your retirement income streams, it is not a separate cap for each account. While the cap does not apply to transition to retirement income streams, if you convert your transition to retirement income stream to a retirement income stream, your benefit will be subject to the cap.

If the total you hold in a retirement income stream exceeds the cap, you will need to commute (rollover or withdraw as a lump sum) amounts above the cap. Otherwise the ATO may direct us to commute your income stream by the excess amount, including a notional amount for earnings. You may pay additional tax on the notional earnings calculated by the ATO. The tax rate is 15% for your first breach and increases to 30% for subsequent breaches.

## 7. Minimum annual income stream payment amounts

The minimum annual income stream payment amount is the minimum income payment that you must take from your income stream for the financial year. The minimum is expressed as a percentage of your account balance at the start of the financial year, and it increases with your age. For income streams that start part-way through the financial year, this amount is calculated on a pro-rata basis.

The table below shows the minimum rate.

Age	Minimum % payment 2020-21
Under 65	2%
65-74	2.5%
75-79	3%
80-84	3.5%
85-89	4.5%
90-94	5.5%
95 or more	7%

Superannuation has certain tax benefits to encourage you to save for retirement.





## 8. Tax on lump sum payments on terminal illness and total and permanent disablement

We are not required to withhold tax from lump sum super payments made to terminally ill members. Two medical practitioners (at least one of whom is a specialist practicing in a related area) must certify that the member's illness or injury is likely to result in death within two years. For the purposes of any insurance you hold through the fund, this period is 12 months not two years.

The tax payable on total and permanent disablement benefits depends on your age and the components of your super (tax free and taxable). If you are permanently incapacitated you may qualify for an increased tax-free component. This is particularly important for members who are under preservation age (see table below). You will need to provide medical certificates from two medical practitioners which state that you are 'unlikely to engage in gainful employment for which you are reasonably qualified through education, training and experience, due to ill-health'. These medical certificates should be no more than 12 months old.

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 to 30 June 1961	56
1 July 1961 to 30 June 1962	57
1 July 1962 to 30 June 1963	58
1 July 1963 to 30 June 1964	59
After 30 June 1964	60

The table in **Section 5** shows the taxes that apply. No tax is payable if you are aged 60 and over.

## 9. Super guarantee (SG) payments

The current superannuation guarantee (SG) rate is 9.5% of ordinary time earnings (OTE). The SG rate will gradually increase from 9.5% to 12% between 1 July 2021 and 1 July 2025.

Financial year period	SG rate
2021-22	10.0%
2022-23	10.5%
2023-24	11.0%
2024-25	11.5%
2025-26 and onwards	12.0%

## 10. The government co-contribution

The government may match 50 cents for every dollar you personally contribute to your super if you earn less than \$39,837 in the 2020-21 financial year. Personal contributions claimed as a tax deduction do not count towards the co-contribution.

The maximum co-contribution amount is 50% of your contribution up to a maximum amount of \$500. The amount of co-contribution the government will pay drops as you move from the lower income threshold of \$39,837 to the higher threshold of \$54,837.

## 11. Low income super tax offset

The low income super tax offset (LISTO) payment is calculated at a rate of 15% of the eligible concessional (before-tax) contributions for the year with a maximum amount payable of \$500. If you have earnings<sup>1</sup> of up to \$37,000 in the financial year, you may be eligible for this benefit. Prior to 1 July 2017 this payment was known as the low income earners' super contribution (LISC).

<sup>1</sup> Earnings include your taxable income, adjusted fringe benefits and reportable super contributions.

## 12. Individual income tax/Pay-As-You-Go (PAYG) rates

Taxable income	Tax
0–\$18,200	Nil
\$18,201–\$37,000	19c for each \$1 over \$18,200
\$37,001–\$90,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$90,001–\$180,000	\$20,797 plus 37c for each \$1 over \$90,000
\$180,001 and over	\$54,097 plus 45c for each \$1 over \$180,000

These rates do not include Medicare levy.

Source: ATO website [www.ato.gov.au](http://www.ato.gov.au)

## 13. Medicare and other levies

### Medicare levy

The Medicare levy is 2% of your taxable income, but it may be reduced or you may be exempt from the levy depending on your income and/or your circumstances. Thresholds apply for seniors. If your taxable income is above the thresholds, you may still qualify for a reduction based on your family taxable income.

There are no other levies for the 2020-21 financial year.



## 14. Employment termination payments

An employment termination payment (ETP) is made when someone's employment is terminated. It can include:

- amounts for unused rostered days off
- amounts in lieu of notice
- a gratuity or 'golden handshake'
- an employee's invalidity payment for permanent disability, (other than compensation for personal injury) and certain payments after the death of an employee.

ETPs do not include:

- a payment for unused annual leave or unused long service leave
- the tax-free part of a genuine redundancy payment or an early retirement scheme payment.

### ETP tax rate

The tax rates on ETPs vary depending on the nature of the payment and the age of the recipient. For the latest tax table for employment termination payments, go to [www.ato.gov.au/business/your-workers/in-detail/taxation-of-termination-payments/](http://www.ato.gov.au/business/your-workers/in-detail/taxation-of-termination-payments/)

## 15. Tax-free part of genuine redundancy payments and early retirement scheme payments

This is the limit set for genuine redundancy and early retirement scheme payments. The base limit and service amounts are indexed in line with AWOTE each income year.

Financial year	Base limit	For each complete year of service
2020-21	\$10,989	\$5,496

## 16. Rebates and tax credits

The fund receives a tax deduction for insurance premiums paid by members and for fees and costs associated with products that are subject to tax on investment earnings. The benefit of the tax deduction on administration fees (including the asset-based administration fee) is retained by the fund. The benefit of the tax deduction for other fees and costs and for insurance premiums is passed onto you as a tax rebate to your account. We claim this tax deduction for you, and you are unable to claim it in your tax return.

## 17. Spouse tax offset

From 1 July 2017, if your spouse earns less than \$40,000 a year (including reportable fringe benefits and reportable employer super contributions) and you make spouse contributions for them, you may be eligible for a tax offset of up to \$540 a year. The amount of spouse contributions is unlimited, but the maximum offset amount is 18% of \$3,000 (i.e. \$540). The rebate is reduced if your spouse earns over \$37,000 and phases out completely when your spouse's income reaches \$40,000 a year. You can claim the offset in your tax return for the year in which the contribution is made. The after-tax contributions cap applies to the receiving spouse.

## 18. Tax deduction for personal contributions

From 1 July 2017, you may be able to claim a full income tax deduction for personal contributions you make to your super until you turn 75. The contributions must be received within 28 days of the end of the month you reach 75.

If you wish to claim a tax deduction for personal contributions, you must complete and lodge a *Notice of intent to claim or vary a deduction for personal super contributions* form with us and receive an acknowledgment. This form is available at [aware.com.au/forms](http://aware.com.au/forms). You must lodge your notice of intent before the earlier of the:

- day you lodge your income tax return for the year in which you made the contribution
- end of the following financial year, or
- date you withdraw, split or use those contributions to start an income stream.

Personal contributions that have been claimed as a tax deduction are subject to a 15% contributions tax and will count towards your before-tax contributions cap. Generally, if your income plus your before-tax super contributions are greater than \$250,000, you'll need to pay an additional 15% tax on the contributions over \$250,000.

The *Notice of intent to claim or vary a deduction for personal super contributions* form has more information.

## 19. Tax deduction for employer contributions

Employers can generally claim a tax deduction for contributions made to a complying fund on behalf of an employee.

## We're here to help

### Contact us

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