



# Tax on withdrawals

## What is the tax payable when you withdraw your super?\*

You may have to pay tax when you withdraw money from your super. The amount of tax you pay will depend on your circumstances including your age, how long you've been in a superannuation fund, whether you have provided your tax file number, and how your benefit is paid.

This document includes information about the tax payable if you withdraw your super directly from your First State Super account as a lump sum. If you decide to access your super through a superannuation income stream, the tax payable will be different. Our superannuation income streams are issued by the Trustee of First State Super. If you would like information about our income streams, you should consider the Product Disclosure Statement for the First State Super superannuation income streams available from Customer Service or our website. You should consider this Product Disclosure Statement in deciding whether to acquire, or to continue to hold, the product.

\* If First State Super does not have your tax file number (TFN) it may be required to withhold tax at the highest marginal tax rate.

## Once you reach age 60, all withdrawals from your account are tax free

If you are aged 60 or over and you meet a condition of release, you can withdraw your super from the fund without paying any additional tax, even if your super has a 'taxable' component.

## Your super may include a 'tax-free' component and a 'taxable' component

Your benefit payment will comprise two components – a tax-free component and a taxable component.

### The tax-free component

The tax-free component is made up of a 'contributions' segment and a 'crystallised' segment.

#### ■ The 'contributions' segment

Generally, the 'contributions' segment is made up of contributions made from 1 July 2007 which have not been subject to tax in the Fund. Typically, this will include your after-tax contributions and any Government co-contribution.

#### ■ The 'crystallised' segment

The 'crystallised' segment is made up of concessional-tax components that existed before the super reforms took effect on 1 July 2007. Generally, this will include any of the following amounts that applied to you as at 30 June 2007:

- pre-July 83 component
- post-June 1994 invalidity component
- capital gains tax exempt component, and
- undeducted contributions since 1 July 1983.

### The taxable component

The taxable component is the remainder of the benefit payment.

## IMPORTANT INFORMATION

### Temporary flood levy for 2011-12

The government has introduced a temporary flood levy on income for the 2011-12 financial year only. The levy applies to both residents and foreign residents who have a taxable income over \$50,000 for the 2011-12 financial year, unless they are exempt.

Superannuation lump sum benefit payments/ commutations as well as pension/income payments to members may be subject to the flood levy, depending on the amount and the components of the benefit or income payment.

The information in this Supplement does not take into account the impact (if any) of the flood levy.

We recommend that you seek professional tax advice to determine whether the flood levy will apply to a benefit to be paid to you.

### Flood levy rates

Taxable income	Flood levy on this income
\$0 to \$50,000	Nil
\$50,001 to \$100,000	Half a cent for each \$1 over \$50,000
Over \$100,000	\$250 plus 1c for each \$1 over \$100,000

## The proportioning rule

Generally, when you receive a lump sum payment, regulations require it to be divided into a pre-determined proportion of the tax-free and taxable components. The proportion is calculated on the value of your account at the time of payment so that the taxed components are paid in proportion to the tax-free component. You cannot choose the component from which you would like your benefit to be paid. The proportioning rule also applies to family law splits.

## If you are under 60, you will pay tax on the 'taxable' portion

If you are under your preservation age, then the taxable component of any lump sum benefit will be taxed at 20% plus Medicare levy<sup>#</sup>.

If you have reached your preservation age but are not yet age 60, then up to a low rate threshold of \$165,000 (for 2011-12, indexed<sup>\*</sup>) of the taxable component of a lump sum may be withdrawn tax free<sup>#</sup>, and a flat rate of 15% plus Medicare levy<sup>#</sup> is payable on the balance of the taxable component above \$165,000. This is a lifetime threshold that applies to all of your lump sum superannuation benefits.

## Your preservation age

Your preservation age depends on your date of birth:

If your date of birth falls	Your preservation age is
Before 1 July 1960	55
Between 1 July 1960 and 30 June 1961	56
Between 1 July 1961 and 30 June 1962	57
Between 1 July 1962 and 30 June 1963	58
Between 1 July 1963 and 30 June 1964	59
After 30 June 1964	60

## Summary of tax payable on lump sum withdrawals

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 levy <sup>#</sup>	Tax free
Your preservation age up to age 59	Tax free <sup>#</sup> up to the low rate threshold of \$165,000 for 2011-12* Amounts above the low rate threshold will be taxed at a flat rate of 15% plus Medicare levy <sup>#</sup>	Tax free
Age 60+	All benefits from a taxed fund such as First State Super are tax free	

\* The Federal Government has indexed the amount of the low rate threshold to Average Weekly Ordinary Time Earnings (AWOTE), but indexation will only take effect when the increase is greater than \$5,000. For example, if AWOTE is 3%, then the increase on \$165,000 would be \$4,950 and the threshold will not be increased. The indexation is rounded down to the nearest \$5,000 so that the threshold will be increased in the year when the sum of the increments is in excess of \$5,000.

<sup>#</sup> Subject to the application of the temporary flood levy for 2011-12. See page 1 for details.

## No tax is payable on withdrawals if you are terminally ill

If you are terminally ill, no tax is payable on lump sum payments made to you from your super. To be considered terminally ill for tax purposes, two medical practitioners (at least one of whom is a specialist in your particular illness) must certify that you are suffering an illness which, in the normal course, would result in your death within a period of not more than 12 months.

## Contact information

Web: [www.firststatesuper.com.au](http://www.firststatesuper.com.au)

Phone: 1300 650 873

Email: [enquiries@firststatesuper.com.au](mailto:enquiries@firststatesuper.com.au)

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