EISS Super

How Super is Taxed | 1 October 2020

The information in this document forms part of the EISS Super PDS dated 1 October 2020.

Taxation rules that apply to super can be complicated. The following overview of the tax treatment is a guide only and represents our understanding of taxation law as at the date of this PDS. You should seek professional taxation advice which is specific to your circumstances to understand the impact of tax on your super.

Tax on contributions

The tax paid on contributions depends on your income, the amount and type of contribution. Tax is deducted after the contribution is received. There are limits on how much you can contribute and if you exceed these limits you may pay extra tax.

Concessional (before tax) contributions

Concessional (before tax) contributions include: Superannuation Guarantee (SG) contributions, salary sacrifice contributions, award contributions and any contributions for which you intend to claim a tax deduction (including as a self-employed person). These contributions are taxed at 15% when allocated to your account.

The concessional contributions cap is $25,000 per financial year for all individuals regardless of age. If you exceed this cap, the excess is included in your income tax return and taxed at your marginal tax rate less an offset of 15% for tax already paid.

You can have up to 85% of the excess amount refunded or retain the amount in your account. If you retain the excess amount in your account, it will count towards your non-concessional contributions cap (please refer to the section below). You will also incur an excess interest charge.

Non-concessional (after tax) contributions

Non-concessional (after tax) contributions include personal and spouse contributions. These contributions are not taxed when allocated to your account. There is a cap on the amount of non-concessional contributions you can make in a financial year.

You can generally contribute up to the annual non-concessional contribution cap of $100,000 if your total super balance (across all super and pension accounts) at 30 June of the previous financial year is less than the general transfer balance cap (currently $1.6 million).

If you are under age 65, you may be able to 'bring forward' up to three years of non-concessional contributions[1].

Once you are over age 67 you need to satisfy the work test, however you cannot bring forward future contributions

If you exceed this cap, you can elect to have the excess amount refunded and 85% of any associated earnings. The full amount of associated earnings will be added to your assessable income and taxed at your marginal tax rate with a 15% tax offset.

If you choose not to have the excess refunded then the excess will be taxed at the highest marginal tax rate which is currently 47% (this includes the Medicare levy of 2%).

1 There are changes proposed to the 'bring forward' rules as part of the 2019/20 Federal Budget measures which are subject to pending legislation, yet to be released.

High Income Contributions Tax

If your taxable income plus any reportable fringe benefits, net investment losses and certain super contributions is greater than $250,000 in a financial year, you will effectively pay an additional 15% tax on concessional (before tax) contributions up to the concessional contributions cap. If your income, excluding your concessional (before tax) contributions, is less than $250,000, but the inclusion of your concessional (before tax) contributions causes your income to exceed this threshold, the additional tax will only apply to the portion of your concessional (before tax) contributions that are above $250,000. For more information, please visit ato.gov.au.

Tax on investment earnings

Tax is generally levied on investment earnings at a maximum of 15%. However, the actual rate of tax may be reduced due to certain tax credits and rebates available to the Scheme, such as imputation credits on dividends from share investments.

Tax on withdrawals

If you are age 60 or over withdrawals are generally tax-free. If you are under age 60, tax on withdrawals will be deducted before you receive your payment. The amount of tax payable will depend on the tax components of your super, your age and whether you receive the benefit as a lump sum or pension. Note that there is no tax payable on the tax-free component. For more information, please refer to the 'How Super Works' document available at **eisuper.com.au/pds**.

Tax on lump sum withdrawals

Age	Taxable component	Maximum tax rate
Below preservation age	Total amount	22%[1]
Preservation age to 59	First $215,000[2]	0%
	Balance over $215,000[2]	17%[1]

1 This includes the Medicare levy (2%).
2 Figure as at 2020/21 financial year.

Providing your Tax File Number (TFN)

Once you become a member of EISS Super you should ensure that you provide us with your TFN as soon as possible. This will allow us to accept all types of contributions to your account and apply the standard rates of tax to them.

If you do not provide us with your TFN, employer contributions made on your behalf may be taxed at the highest marginal rate plus Medicare levy (2%). Additionally, we will not be able to accept personal contributions from you. You may also incur additional tax on any withdrawals you make from your account as a consequence of not providing us with your TFN.

If you decide to provide us with your TFN later, you may be able to have the additional tax of 32% refunded, if your TFN is provided within four (4) years of the tax being deducted and you are still a member of EISS Super.

Death benefits

Death benefits paid by EISS Super to a tax dependant including a spouse, a child under 18, a financial dependant or interdependent are tax free.

Where death benefits are paid to a legal personal representative (i.e. executor or administrator), the benefit is tax free to the extent that it is then paid, or expected to be paid, to a tax dependant.

We recommend that you seek professional tax advice about how tax may apply in these circumstances.

Tax on death benefits – lump sum payments paid to dependants

Age of deceased	Age of recipient	Maximum tax rate
Any age	Any age	0%

Tax on death benefits – paid as an income stream to dependants

Age of deceased	Age of recipient	Maximum tax rate
60 and above	Any age	0%
Below 60	60 and above	0%
Below 60	Below 60	Marginal tax rate plus Medicare levy less 15% tax offset

Tax on death benefits – paid as a lump sum to non-dependants

Age of deceased	Age of recipient	Maximum tax rate
Any age	Any age	15% plus Medicare levy

Death benefits cannot be paid to a non-dependant as an income stream, it can only be paid as a lump sum benefit.

We recommend that you seek advice from your financial planner about how the tax laws apply specifically to you and your spouse, estate and dependants.

Invalidity benefits

An additional invalidity tax free concession may apply to an invalidity benefit provided that the illness or injury is deemed to be total and permanent.

Applicants will be asked to produce evidence of total and permanent invalidity, as required by superannuation law, in order to qualify for this tax concession.

Terminal Illness benefits

No tax is payable on a benefit for a member who has been approved for a payment under the Terminally ill condition of release.

Applicants will be asked to produce evidence of terminal illness, as required by superannuation law, in order to qualify for this tax concession.

Goods and Services Tax (GST)

Contributions to and withdrawals from EISS Super are not subject to GST. However, we may pay GST on certain services required in the process of managing the Scheme, such as fees paid to investment managers. In respect of some of those GST amounts paid by us, we can claim back 75% or 55% (depending on the item) of the GST paid as a reduced input tax credit, effectively lowering the amount of any GST paid.

We're here to help

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