HOSTPLUS

Member guide.

Superannuation and Personal Super Plan

Product Disclosure Statement

Last Updated 1 October 2020

The information in this document forms part of the Hostplus Product Disclosure Statement issued 1 October 2020

Section 7. How super is taxed

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The information in this document forms part of the Hostplus Superannuation Fund and Hostplus Personal Super Plan Product Disclosure Statement 1 October 2020.

Here's a brief summary of how your super is taxed. It's quite different to the income tax you're used to and can be complex. So we recommend that you seek independent, professional taxation advice or contact the ATO for more help with any super tax questions you may have.

Tax is paid on contributions, investment earnings and on withdrawal of benefits.

7.1 Tax File Numbers

Under the Superannuation Industry (Supervision) Act 1993, Hostplus is authorised to collect, use and disclose your tax file number.

Hostplus may disclose your tax file number to another superannuation provider, when your benefits are being transferred, unless you request Hostplus in writing that your tax file number not be disclosed to any other superannuation provider.

Declining to quote your tax file number to Hostplus is not an offence. However giving your tax file number to your superannuation fund will have the following advantages:

- Hostplus will be able to accept all permitted types of contributions to your account/s;
- other than the tax that may ordinarily apply, you will not pay more tax than you need to - this affects both contributions to your superannuation and benefit payments when you start drawing down your superannuation benefits; and
- it will make it much easier to find different superannuation accounts in your name so that you receive all your superannuation benefits when you retire.

Generally there are significant consequences if your TFN is not quoted or incorrectly quoted when contributions are made for you, such as:

- an additional tax of 30% (plus Medicare) is imposed on 'No TFN' contributions paid into the fund on your behalf, in addition to 15% tax on employer contributions,
- we cannot accept your personal contributions, and
- Government co-contributions are not payable.

The additional tax will be deducted:

- for contributions – each year as at 30 June or upon the member exiting Hostplus.

- for benefits – upon payment of a benefit.

If you do not have a TFN contact the **ATO** ato.gov.au on 13 28 61.

SuperMatch

If you have provided consent to the fund, we will periodically access the ATO system (SuperMatch) on your behalf to inform you about your superannuation interests, assist you to manage your superannuation interests as reported to the ATO and reunite you with lost super or monies held on your behalf by the ATO.

The ATO will use your TFN as the primary identifier in matching your lost super or multiple accounts.

You can provide your TFN and SuperMatch consent to Hostplus at **hostplus.com.au**.

7.2 Claiming your No TFN contributions tax

You may claim the additional tax paid on No TFN contributions (the additional 30% plus Medicare) if you quote your TFN to Hostplus within three years from the end of the financial year that the additional tax for the No TFN contributions were payable.

If you quote your TFN to Hostplus:

- before 30 June, the additional tax will be credited to your account as at 30 June that year
- after 30 June, the additional tax will be credited as at 30 June the following year.

Example

Sam did not provide his TFN to the trustee before 30 June 2020. The trustee deducted the additional No TFN tax (30% plus Medicare levy instead of 15%) out of Sam's account at 30 June 2020. On 20 July 2020, Sam quotes his TFN to the trustee. The trustee will credit the additional tax deducted on 30 June 2020 to Sam's account on 30 June 2021.

7.3 Taxation of contributions.

7.3.1 Concessional contributions

Concessional contributions are taxed at 15% on amounts up to the limit.

7.3.2 Excess concessional contributions

If you exceed your concessional contributions cap in the relevant financial year, this excess amount will be included in your assessable income and taxed at the marginal tax rate plus an excess concessional contributions charge.

You are entitled to a tax offset of 15% paid on the excess concessional contributions for that income year. If you receive an Excess Concessional Contributions determination for a financial year, you may elect to release from your super account up to 85% of your excess concessional contributions. Once you've made your election, Hostplus will receive instruction from the ATO to pay an amount to them. If you choose not to release the excess concessional contributions, the amount will count towards your non-concessional contributions cap and you may have to pay the additional tax from your personal savings.

7.3.3 Division 293 tax

If your total income and concessional contributions are more than $250,000, you will pay an additional tax of 15% (i.e. 30% tax) on those concessional contributions exceeding the $250,000 threshold. If the ATO determines you must pay the additional tax, Hostplus will receive instruction from the ATO to make the payment to them.

The definition of 'income' for the purpose of paying Division 293 tax includes taxable income, reportable fringe benefits, total net investment losses, target foreign income, tax free government pensions and benefits and concessional contributions up to the cap. This does not apply to excess contributions that have been subject to excess contributions tax.

7.3.4 Non-concessional contributions

Non-concessional contributions are not taxed within superannuation when you contribute up to the non-concessional cap, and provided that your total superannuation balance does not exceed $1.6 million. Hostplus will need to have your TFN to accept non-concessional contributions from you.

7.3.5 Excess non-concessional contributions

If you exceed your non-concessional contributions cap you may be liable for additional tax at the top marginal tax rate (plus Medicare levy) of 47% in the 2020-21 financial year on the excess contributions. The ATO will let you know if you have exceeded the non-concessional cap.

If you don't withdraw your excess contributions, and any associated earnings you will be taxed at the top marginal tax rate.

You can choose how your excess non-concessional contributions are taxed by completing the ATO **Excess non-concessional contributions election form**. Please note once you make your choice you can't change it. Hostplus will receive instruction from the ATO to make a payment. The amount released will be used by the ATO to pay any income tax liability you have and offset any outstanding tax before the remainder is paid to you.

For more information about paying excess non-concessional contributions tax, please visit the ATO website and search excess non-concessional contribution tax or excess non-concessional contributions release authority.

7.4 Taxation of investment returns

Investment returns are taxed up to a maximum rate of 15%. Where the assets are invested in Australian and international shares, the tax payable can be partly offset by imputation credits for franked dividends and foreign tax credits. Any capital gains are limited to two thirds of the gain or the whole of the gain with an indexed cost base, depending on the date that the assets were acquired.

7.5 Taxation of benefits on withdrawal

Tax may be payable when you withdraw a lump sum or income stream benefits from Hostplus before you receive the payment. The amount of tax will depend on your preservation age and the age when you receive the payment, the amount of your benefit, the benefit components and the nature of the benefit payment. Lump sum benefits comprise two components.

Lump sum benefits comprise two components.

1. The tax free component which includes:

- the contributions segment.
- the crystallised segment.

The contributions segment generally includes all contributions made from 1 July 2007 that have not been included in the assessable income of the fund. Typically these would be a member's personal contributions that are not claimed as an income tax deduction.

The crystallised segment includes the following existing components of a super interest that were consolidated into the tax-free component on 1 July 2007:

- the concessional component.
- the post-June 1994 invalidity component.
- undeducted contributions.
- the capital gains tax (CGT) exempt component.
- the pre-July 1983 component.

The crystallised segment was calculated by assuming that an eligible termination payment representing the full value of the superannuation interest is paid just before 1 July 2007.

2. The taxable component which includes:

- an element taxed in the fund, and/or
- an element untaxed in the fund.

The tax that Hostplus deducts will only apply to the element taxed in the fund (for example the 15% tax paid on contributions and investment returns). Any other tax payable will be assessed in your tax return following the payment of the benefit.

7.6 The taxable components of lump sum benefits

Tax on lump sum benefits

No tax is payable on the tax free component. Tax on taxable components are as per table below:

	Age	Tax treatment of lump sum benefits (excluding Medicare levy) for the year 1 July 2020 – 30 June 2021
Member benefit taxable component – tax element (where 15 % contributions tax has been paid)	Below preservation age	20% on whole amount

	Preservation age - 59 years	Nil up to $215,000[1] 15% for amounts over the low rate cap amount of $215,000[1]
	60+	Tax free
Member benefit taxable component – untaxed element (where 15 % contributions tax has not been paid)	Below preservation age	30% for amounts up to the untaxed plan cap amount of $1.565[2] million 45% for amounts over the untaxed plan cap amount of $1.565[2] million
	Preservation age - 59 years	15% for amounts up to the low rate cap amount of $215,000[1] 30% for amounts between the low rate cap amount of $215,000[1] and the untaxed plan cap amount of $1.565[2] million 45% for amounts over the untaxed plan cap amount of $1.565[2] million
	60+	15% for amounts up to the untaxed plan cap amount of $1.565[2] million 45% for amounts over the untaxed plan cap amount $1.565[2] million
Rolled over super benefit with a taxable component and taxed element	Any age	Nil
Rolled over super benefit with a taxable component an untaxed element	Any age	Nil for amount up to the untaxed plan cap amount of $1.565 million[2]

		45% for amounts over the untaxed plan cap amount of $1.565 million[2]
Super lump sum benefits of less than $200	Any age	Nil

1 Low rate cap amount applicable to the 2020-21 income year and indexed annually in line with Average Weekly Ordinary Time Earnings (AWOTE). Increases are applied in increments of $5,000.
2 This is the untaxed plan cap amount applicable to the 2020-21 income year. The untaxed plan cap is indexed annually in line with AWOTE but only increases in increments of $5,000.

7.7 Part payment of benefits

When a part payment of super is made, you won't be able to indicate whether you want the benefit taken from your tax free component or your taxable component. Instead, the benefit will generally include both components in the same proportion as they exist in the total benefit.

The table below provides an illustration where a member's benefit consists of a taxable component as to 60% and a tax free component as to 40%.

	Component		
	Taxable	**Tax free**	**Total**
Total benefit proportion	$60,000 60%	$40,000 40%	$100,000 100%
Part payment of $20,000 proportion	$12,000 60%	$8,000 40%	$20,000 100%
Balance after payment proportion	$48,000 60%	$32,000 40%	$80,000 100%

7.8 Death benefits

Death benefits are tax free when paid to tax dependants. A dependant for these purposes is a spouse, a child less than 18, a person with whom the deceased had an interdependency relationship on the date of death, or any other person who was a financial dependant of the deceased on the date of death.

The definition of spouse includes same sex couples and the definition of child includes eligible children of same sex couples. This means that same sex couples and their children are able to access the same tax concessions on lump sum death benefits available to married and de facto opposite sex couples. In addition a spouse is recognised when the relationship is registered on the Register of Births and Marriages under State or Territory law.

If the lump sum death benefit is paid to a non-dependant, the taxable component with a taxed element will be taxed at 15% (plus Medicare levy) but part of the benefit may be taxed at up to 30% (plus Medicare levy) if it has a taxable component with an untaxed element. The tax free component will be tax free if paid to a non-dependant.

7.9 Total and Permanent Disability benefits

Total and Permanent Disability benefits are taxed as a lump sum benefit, with the taxable and tax-free components. Generally, the tax free component will include the proportion of the benefit that relates to the period from the date of total and permanent disablement to age 65.

If you choose to reinvest any of your Total and Permanent Disability benefit payment into Hostplus and after 2 years request a subsequent withdrawal, you may be required to provide us further medical certificates from two legally qualified medical practitioners. This is to certify that due to ill health you continue to be unlikely to ever be gainfully employed in a capacity for which you are reasonably qualified, to remain eligible for an additional tax free threshold .

7.10 Income Protection (Salary Continuance) benefits

Income Protection benefits are generally taxed at your marginal tax rate.

7.11 Terminal Illness benefits

If a member suffers from a terminal illness as (a) certified by two medical practitioners (one being a specialist) and (b) stipulating death within 24 months of the certification, then lump sum superannuation benefits paid are tax free.

7.12 Temporary resident tax on benefits

Any super benefits paid to eligible temporary residents is subject to the Departing Australia Superannuation Payment (DASP) withholding tax upon leaving Australia permanently. The DASP withholding tax will apply at the date of payment.

Any super benefits paid to working holiday makers in Australia under the 417 (working holiday) or 462 (work and holiday) sub-class visa, upon leaving Australia permanently, is subject to:

- 0% for the tax-free component,
- 65% for a taxed element of a taxable component, and
- 65% for an untaxed element of a taxable component.

Temporary residents who have never held a working holiday or work and holiday visa will be taxed at:

- 0% for the tax-free component,
- 35% for a taxed element of a taxable component, and
- 45% for an untaxed element of a taxable component.

The information in this Section contains general advice only and does not take into account your personal objectives, financial situation or needs. You should consider if this information is appropriate for you in light of your circumstances before acting on it. You may also find it beneficial to obtain advice from a licensed financial adviser. Past performance is not a reliable indicator of future performance.

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