apss
AUSTRALIA POST SUPER SCHEME

Fact Sheet

Australia Post Superannuation Scheme ABN 42 045 077 895 **July 2020**

How super is taxed in 2020-21

Super can be a more tax effective way to save for retirement, depending on your circumstances, compared with other investment options. Tax may apply to contributions to your super, investment earnings, and to benefits paid, withdrawals or other payments. This fact sheet provides an overview of the current super tax laws for the 2020-21 financial year as they apply to APSS members. However, tax rules can and often do change. For up-to-date information on superannuation taxes, visit the Australian Taxation Office (ATO) website at ato.gov.au or speak to your taxation or financial adviser.

This Fact Sheet does not address specific measures dealing with COVID-19 which may be available to you. Please see our website for further details about these measures.

Contents

Tax on contributions to your super

The amount of tax deducted from contributions to your super will depend on:

- **The total amount you contribute in a tax year.**
- **How you contribute – after tax or before tax.**
- **How much income you earn in a tax year.**
- **Whether or not you exceed a contribution limit.**

Contributing before tax

Before-tax contributions include any amounts saved in super before tax has been deducted. 'Salary sacrifice' contributions are one type of before-tax contribution you may already be familiar with. However, before-tax contributions may also include notional contributions, called 'Notional Taxed Contributions' (NTCs). These are what the ATO considers have been made by your employer to provide you with an APSS Defined Benefit if you're entitled to one. See page 5 for more details.

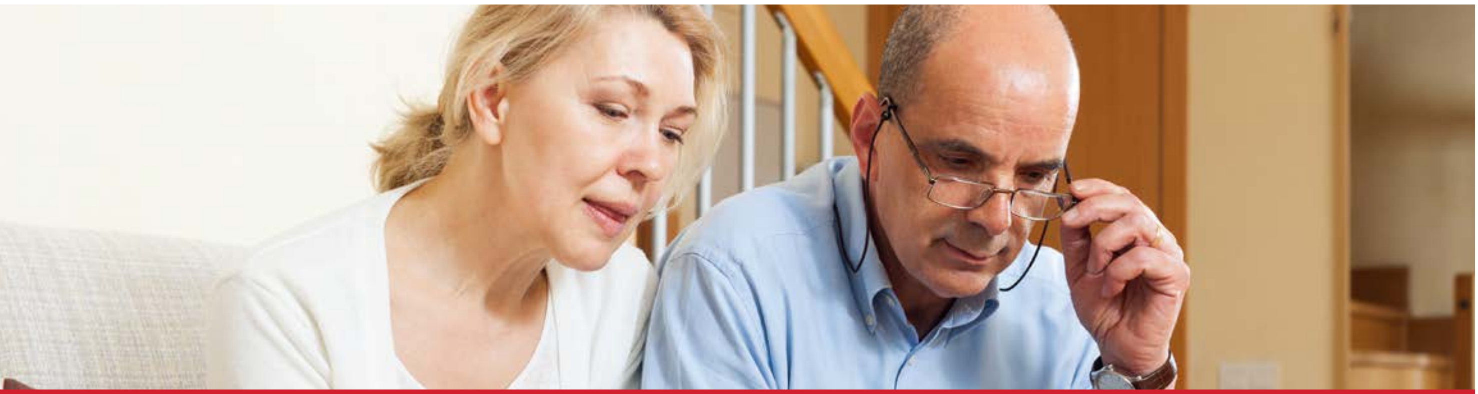
Before-tax contributions attract a 15% contributions tax on the way into a super fund. This is a concessional tax rate because it's generally lower than most people's personal tax rates. That's why before-tax contributions are also known as 'concessional contributions.' Additional taxes may apply as explained on page 4.

Contributing after tax

After-tax contributions include any amounts you save in super that have already had tax taken out.

No tax is payable on after-tax contributions unless you breach a contribution limit as explained on page 4.

After-tax contributions can be made as regular savings from your net/take-home pay or as a lump sum contribution amount sourced from personal savings from which income tax has already been deducted and for which you haven't claimed a tax deduction.



Contributing to your super savings in the APSS

To contribute to your super savings in the APSS, you will need to have an APSS Member Savings, APSS Spouse or APSS Rollover account. Only Employee members can make regular contributions into the APSS from their pay (i.e. into an APSS Member Savings account). If you are a Spouse or Rollover member, you can only make after-tax lump sum contributions (unless you are also an employee member). If eligible, to make a before-tax lump sum contribution, you need to make a personal after-tax contribution and claim a tax deduction for it by using the *Notice of intent to claim or vary a deduction for personal super contributions* form, which you can download at **apss.com.au** in the 'Print a form' section under 'Publications & Forms'. This then classifies the contribution as a before-tax contribution. See page 7 for more details.

Tax on contributions to your super

Carrying forward 'unused' before-tax contributions

If your before-tax (concessional) contributions were less than the $25,000 before-tax limit in 2018-19 (or the relevant before-tax limit in a subsequent financial year), then you may be eligible to contribute more than the annual limit this financial year (or up to five financial years following the applicable financial year in which your contributions were under the annual limit). If you have an APSS Defined Benefit, please remember that the $25,000 before-tax limit will include any Notional Taxed Contributions (NTCs).

The extra amount you may be eligible to contribute will be the 'unused' amount when your total before-tax contributions, (including any NTCs), are subtracted from the annual before-tax contribution limit. For example, if your before-tax contributions in 2019-20 were $10,000, you would have $15,000 left 'unused' so you could contribute up to $40,000 in 2020-21; or you could contribute $3,000 above the relevant contribution limit in each of the next five financial years commencing from 1 July 2020. The contributions cap is cumulative, so the same may be done in future financial years to the extent that there are amounts 'unused' for those years (and the relevant eligibility criteria is satisfied).

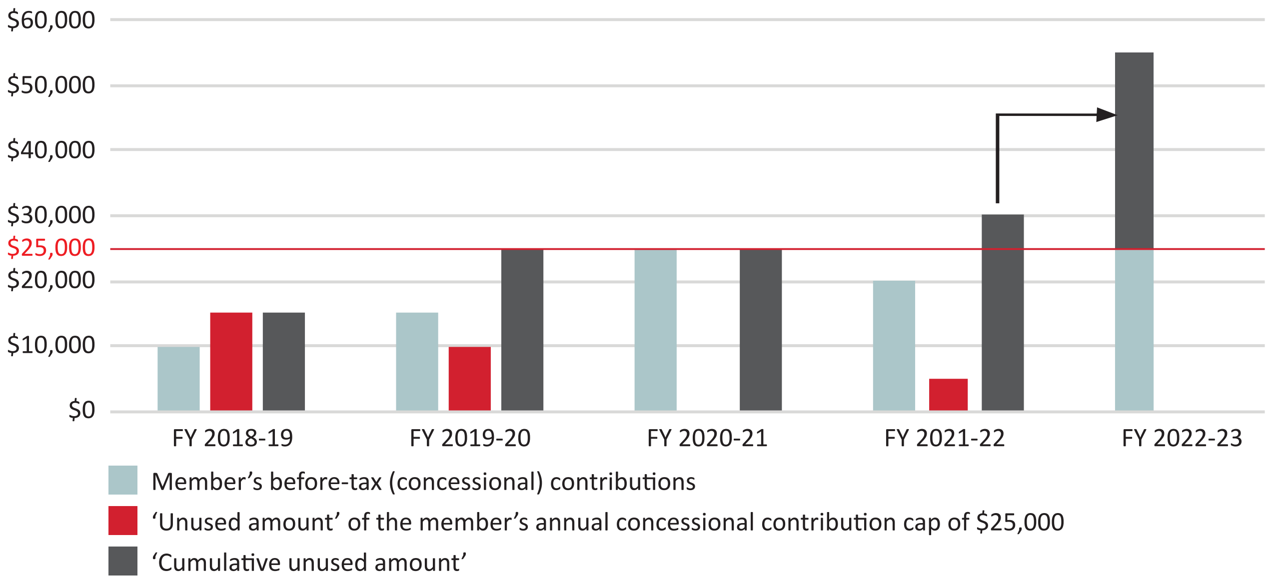
To be eligible, your total superannuation balance at 30 June of the financial year before the year in which you want to make the additional before-tax contributions, must be less than $500,000. If you have multiple super accounts, the total of all accounts combined must be less than $500,000.

So, how does the rule work?

Let's consider this using an example of a member of the APSS employed by Australia Post whose before-tax (concessional) contributions total less than the annual concessional contributions cap in three out of the four financial years to 30 June 2022.

Assuming the $25,000 cap remains the same over the five-year period used in the below example, and the member's total superannuation balance as at 30 June 2022 is $300,000 (i.e. under the $500,000 at which this new rule cuts out), then the member in this example would have a 'cumulative unused amount' of $30,000 that could be contributed during the 2022-23 financial year without incurring additional tax (provided it is done by way of an eligible concessional contribution and the member meets all the relevant eligibility criteria to make use of this rule).

In total the member can make concessional contributions of up to $55,000. Without this rule, the member would have been limited to concessional contributions of $25,000 in the 2022-23 financial year.



Note:

The relevant laws may change and the above information does not take into consideration your personal circumstances. If you are planning to make before-tax (concessional) contributions to your superannuation account of more than the relevant concessional contributions cap in a financial year (currently $25,000), you should consult with a professional tax advisor before making the contribution(s) to ensure you are eligible to access these rules.

Tax on contributions to your super

Annual contribution limits

Here is a summary of the contribution limits and tax rates for the 2020-21 financial year:

Type of contribution	Annual contribution limits*	Tax rate for most people	Tax rate for high-income earners**
Before-tax also known as 'concessional contributions'	**$25,000** (including NTCs)	**15%** of each contribution	**30%** of each contribution
After-tax also known as 'non-concessional contributions'	**$100,000** or up to **$300,000^** or **$0^^**	**Nil**	Not applicable

* Annual contribution limits are indexed to Average Weekly Ordinary Time Earnings (AWOTE).
** See *Extra tax if you are a high-income earner* below for details.
^ If you're under 65 years of age, you could potentially bring forward up to three years of the annual after-tax limit, allowing you to contribute up to $300,000 in one year.
^^ You cannot make any after-tax contributions if you already have $1.6 million saved in super.

Extra tax if you exceed the annual contribution limits

If you exceed the contribution limits, additional tax may apply. The ATO will assess you for any excess contribution tax. The amount of tax will depend on the type of contribution you have made, as summarised below:

Excess before-tax contributions

Excess before-tax contributions are taxed at your marginal tax rate (plus the Medicare levy), less a tax offset for the 15% contributions tax already paid (plus an interest charge for the excess concessional contributions). The extra contributions will also count towards your after-tax contribution limit, unless released.

If you have an APSS Member Savings account, you can have up to 85% of the excess contributions released from your account, as long as you have enough money in the account. You can't release money from a Defined Benefit.

Excess after-tax contributions

Amounts contributed over the after-tax contribution limits are taxed at 47% unless released.
You can release the excess contributions, plus 85% of the earnings on that excess amount. Tax will then be payable at your marginal tax rate (plus the Medicare levy) on the associated earnings, subject to a 15% tax offset for tax already paid on the earnings. You can't release money from a Defined Benefit.

Working out your Notional Taxed Contributions

If you have an APSS Defined Benefit, the ATO calculates your Notional Taxed Contributions as summarised in the following table, then counts it towards your before-tax contribution limit.

14.3% Defined Benefit	SG Defined Benefit
Your Superannuation Salary at the start of the financial year (1 July), adjusted for part-time service, multiplied by 10.8%.* Therefore, if you are earning $50,000 at the start of the year and work full time, your Notional Taxed Contributions for the financial year is $5,400.	Your Superannuation Salary at the start of the financial year (1 July), adjusted for part-time service, multiplied by 7.2%.* Therefore, if you are earning $50,000 at the start of the year and work full time, your Notional Taxed Contributions for the financial year is $3,600.

* This rate applies for the 2020-21 financial year. A higher rate applies if your Superannuation Salary is less than $46,710 for members entitled to the 14.3% Defined Benefit and $48,760 for SG Defined Benefit Employees. For more details call *Super*Phone on **1300 360 373**.

Special arrangements generally apply to members who had an APSS Defined Benefit before 12 May 2009. In these cases, where Notional Taxed Contributions would exceed the before-tax contribution limit, those contributions will be taken to equal that limit. However, other before-tax contributions (such as salary sacrifice contributions) can still cause members to exceed their before-tax contributions limit. The special arrangements do not apply when calculating Notional Taxed Contributions in order to work out any additional tax for high-income earners (see page 8). Notional Taxed Contributions do not apply to Pension, Spouse or Rollover members who do not accrue an APSS Defined Benefit.

Government tax offsets and co-contributions

Spouse contribution tax offset

Will your partner earn $37,000 or less in the 2020-21 financial year (including reportable fringe benefits and employer superannuation contributions)?

If so, you might be able to receive up to $540 from the Government in the form of a 'spouse contribution tax offset' if you meet the relevant eligibility criteria. You may be able to claim an 18% tax offset on superannuation contributions of up to $3,000 that you contribute, after-tax, to the super account of your partner (e.g. an employee member contributing to the APSS Spouse Account of their partner). The maximum possible offset is $540. Smaller tax offsets may be claimed if your partner earns between $37,000 and $40,000, or if less than $3,000 is contributed.

No tax offset is payable if your partner earns over $40,000, has contributed more than the $100,000 after-tax contribution limit, or had more than $1.6 million in super immediately before the start of the 2020-21 financial year.

If eligible, you can claim your tax offset when you submit your annual tax return to the ATO. The tax offset is paid for the financial year in which you made the contribution. To qualify, you and your spouse must be Australian residents for tax purposes. Go to the ATO website for all the details.

If you make contributions on behalf of your spouse, these contributions will count towards your spouse's after-tax contribution limit.

Is your adjusted taxable income less than $37,000 p.a.?

If your adjusted taxable income is $37,000 or less a year and you meet other eligibility criteria, you may not pay tax on some of your super contributions thanks to the 'low income super tax offset', which compensates for tax paid on some before-tax contributions. The government will make an extra contribution to your super, equal to 15% of your before-tax contributions, up to $500 annually. Go to the ATO website for all the details.

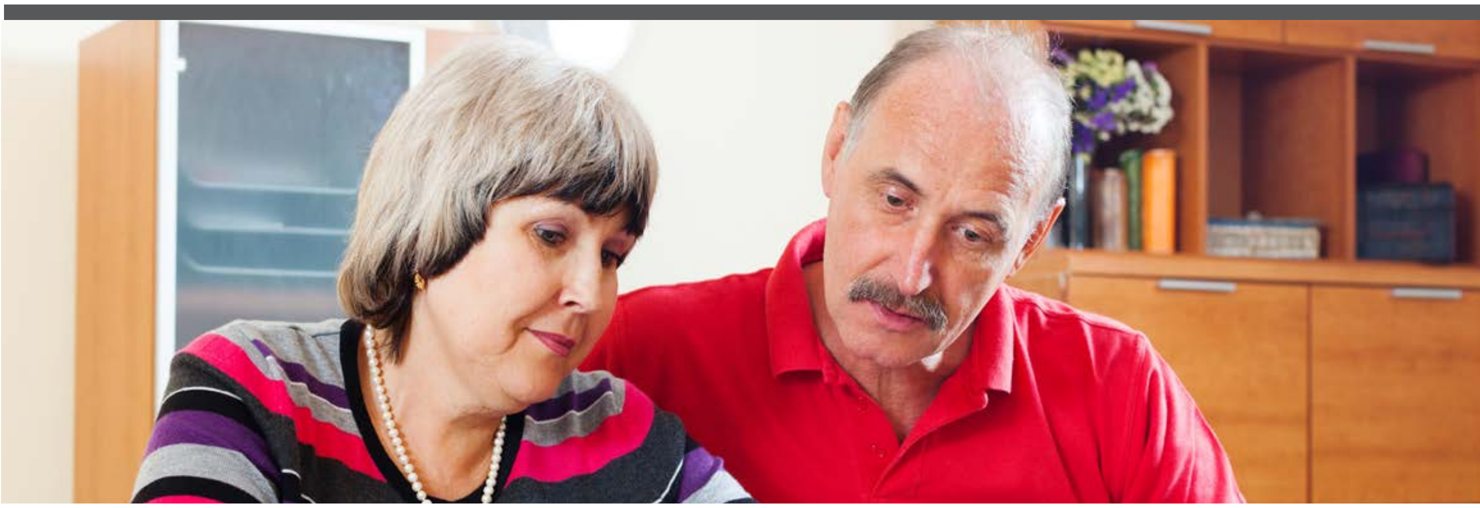
Government Co-Contribution

If your income is less than $54,837 and you make after-tax contributions, you may be eligible for a government co-contribution of up to $500. If you meet the relevant eligibility criteria, the Government may match your after-tax contributions at the rate of 50 cents for $1 (up to $1,000) you have contributed.

To receive the maximum co-contribution of $500, your income (generally assessable income, reportable fringe benefits and employer superannuation contributions) must be below $39,837 for the 2020-21 year. You can receive a lower co-contribution if your income is between $39,837 and $54,837.

To be eligible you must also receive at least 10% of your income from employment (or operating a business). Other requirements are that you must be less than aged 71 at the end of the financial year, not hold a temporary visa during the year (unless you are a New Zealand citizen), have a total superannuation balance of less than $1.6 million at the start of the financial year and have not contributed more than your non-concessional contribution limit. Go to the ATO website for all the details.

Tax on contributions to your super



How to contribute to the APSS

How to contribute before tax

You can manage all your contributions and other employee superannuation arrangements through **ourpost.com.au** – call **1300 363 772** for help.

If you are employed by an Associated Employer, you need to contact your payroll or HR area.

How to contribute after tax

Australia Post employees can also organise their after-tax contributions via ourpost.com.au in the same way as before-tax contributions (refer above).

Other ways of making after-tax contributions include BPay, sending a cheque or money order or using a form for a specific types of contributions.

Other ways to contribute after tax

The table on this page covers the other ways of making after-tax contributions:

BPay

1. Go to: **apss.com.au/MemberAccess** to login.
2. Login to your personal account to access 'Contribution options' (under the 'Member' tab).
3. Click BPay to get your Biller code and reference.

Cheque or money order

1. Ensure the cheque or money order is coming from an account that is in your name because cheques from third parties cannot be accepted.
2. Make your cheque/money order payable to 'Australia Post Superannuation Scheme'.
3. Send it to:
   Locked Bag A5005, SYDNEY SOUTH, NSW 1235

Other options

There are a range of other forms to use for contributing or transferring super into your APSS account at **apss.com.au** under the *'Publications & Forms'* tab, in the *'Print a form'* section.

Note:

Only Employee members can make regular salary sacrifice contributions into the APSS (i.e. into an APSS Member Savings account). You cannot salary sacrifice into an APSS Spouse or Rollover account (unless you are an Australia Post employee), as contributions from a third party employer cannot be accepted into such accounts. However, you may be able to make a personal after-tax contribution and claim a tax deduction for it, using the *Notice of intent to claim or vary a deduction for personal super contributions* form, which you can download at **apss.com.au** in the 'Print a form' section under 'Publications & Forms'. This then classifies the contribution as a before-tax contribution. A tax deduction is generally available to individuals under 67 (and those between 67 and 74 who meet the 'work test', or who are eligible to make contributions within 12 months from the end of the financial year in which they met the work test – see page 8 for further details). A deduction cannot be claimed for certain contributions such as downsizer contributions. These contributions will be included in the $25,000 annual contribution limit. Call *Super*Phone on **1300 360 772** for details.

Home Downsizer Scheme

If you're 65 years old or over and own your main residence, you might be ready to sell your home and 'downsize' to a smaller property. If you do so, you may be able to contribute some or all of the proceeds of the sale to your superannuation, which may be a more tax-effective way of investing those proceeds.

You might be able to contribute up to $300,000 as an individual, or $600,000 as a couple (i.e. $300,000 in each individuals' superannuation account). Such 'downsizer contributions' won't count towards the annual contributions limits, including the ability to make such contributions even if you already have $1.6 million saved in super. However, downsizer contributions will still be counted towards the $1.6 million lifetime cap on pensions, and also the Age Pension assets test.

Aside from being at least 65 years of age, there are other eligibility criteria, which you can find on the ATO website. If you're eligible and wish to make a downsizer contribution, you will need to use an approved, official ATO form that is available on **https://www.ato.gov.au/Forms/Downsizer-contribution-into-super-form/** to download. You should seek your own professional tax advice about whether you will meet the relevant eligibility criteria.

It's important to remember that once you start an APSS Pension, you cannot top it up later with other lump sums (including downsizer contributions), so it's a good idea to consider whether you wish to make a downsizer contribution before you start an APSS Pension. Although you can start another, new APSS Pension anytime in the future as long as you're still an APSS Member.

Are you 65 or 66 years old?

Recent changes mean that Australians aged 65 or 66 are now able to make voluntary contributions into their superannuation without meeting the 'work test' (a test to prove that a person has worked for a set period of time in the financial year), consistent with the position for those under 65. The 'work test' condition remains for those Australians aged 67 and above. See the relevant Product Disclosure Statement (PDS) applicable to you for further details.

Are you 67 to 74 years old?

The so-called 'work test' reform means that Australians aged 67 to 74 are able to make voluntary contributions for 12 months from the end of the financial year in which they last met the work test, provided that they had a total superannuation balance below $300,000 at the end of that previous financial year. Note that restrictions apply such that this relief is only able to be used once.

Extra tax if you are a high-income earner

An additional 15% tax (known as 'Division 293' tax) is triggered if your total adjusted income exceeds $250,000. This effectively doubles the tax on your before-tax contributions, from 15% to 30%.

Your "total adjusted income" generally includes your taxable income, reportable fringe benefits, total net investment losses and before-tax contributions (except for those that have already exceeded the contribution limit). As explained above, those excess before-tax contributions attract yet more tax.

Remember that before-tax contributions will include the NTCs that the ATO considers have been made by your employer to provide you with an APSS Defined Benefit if you're entitled to one, so don't just count salary sacrificed contributions. If you are entitled to an APSS Defined Benefit, then the payment on your Division 293 tax liability will be deferred and the ATO will maintain a debt account, which will accrue interest. Payment is generally deferred until your Defined Benefit is paid, say when you retire. However, you can choose to pay the extra tax at any time. You can pay the tax using savings in any accumulation super account (such as an APSS Member Savings account), or you can pay with other savings (such as from a regular bank account).

Tax on investment earnings

Investment earnings for accumulation accounts (such as APSS Member Savings accounts) are taxed at a maximum of 15%. This tax is deducted from the investment earnings of the APSS before the APSS Crediting Rate is set and applied to your account.

APSS Pension investment earnings are tax free, unless, for example, you are using an APSS Pension to transition to retirement, in which case earnings may be taxed at up to 15% if you have not turned 65 or met a relevant condition of release and notified the APSS.

From 1 July 2017, a $1.6 million lifetime cap has applied to the total amount of superannuation that can be transferred into a tax-free retirement account, such as an APSS Pension account, or that can remain in an existing pension account, where the investment earnings are tax free. No 'breach' of the lifetime cap will occur where the investment earnings increase the value of the pension account to more than $1.6 million.

If you exceed the cap, you will be liable to pay tax of 15% on the notional earnings attributable to the excess (or, from 1 July 2018, 30% for second and subsequent breaches). You will also need to transfer the amount exceeding the cap (and notional earnings on that excess) out of the APSS Pension Account (or other pension account, if applicable). You can either transfer the excess amount into an accumulation account such as an APSS Rollover Account (or any accumulation account of your choice) or withdraw the excess from super. There is no limit on the amount of money you can have in your accumulation account/s. The cap will be indexed each year in line with the consumer price index and will increase in $100,000 increments.

Tax on benefits paid, withdrawals or other payments made to you

The amount of tax deducted from super benefits paid, withdrawals or other payments will depend on:

- **Your age.**
- **The type of payment (e.g. lump sum or pension payment).**
- **Whether terminal illness or death triggers the payment of benefits.**

Your age

If you're 60 or older, there's no tax payable when you receive a superannuation benefit.

If you're under age 60, most of your super is likely to be taxable, although some may also be tax free. The tax on the 'taxable component' depends on your preservation age, which is determined by your date of birth:

Date of birth	Preservation Age
Before 1 July 1960	55
1 July 1960 - 30 June 1961	56
1 July 1961 - 30 June 1962	57
1 July 1962 - 30 June 1963	58
1 July 1963 - 30 June 1964	59
On or after 1 July 1964	60

Type of payment

If you're 60 or older, there's no tax payable on either lump sum withdrawals or pension payments.

If you're under 60, tax depends on whether the payment is a lump sum or a pension payment and whether your account balance includes a tax-free and a taxable amount. The following table explains the tax on the taxable amount of the payment:

Lump sums	
Under Preservation Age	Taxed at up to 20% + Medicare levy.
Preservation Age to age 59	Up to $215,000 is tax free (for 2020-21). The remainder is taxed at up to 15% + Medicare levy.

Pensions
Regular income payments are taxed at your marginal rate (plus the Medicare levy). A 15% tax offset may reduce the amount of tax.
One-off payments ('commutations') are tax free up to a lifetime limit ($215,000 for 2020-21). Payments over this limit will be taxed up to a maximum rate of 15% (plus the Medicare levy).

Tax on benefits paid, withdrawals or other payments

Tax payable if you suffer terminal illness or die

The following table provides a general summary of the tax payable on death benefits and benefits paid to you if you are suffering from a terminal illness. For more information, please read your Product Disclosure Statement, which can be downloaded at **apss.com.au** under the 'Publications & Forms' tab in the 'Product disclosure' section; or call *Super*Phone on **1300 260 373** to get a copy mailed out to you. You may also wish to consult your tax adviser to discuss your personal circumstances.

If paid to:	Lump sum	Pension income
You due to a terminal illness (i.e. an illness likely to result in your death within the next 24 months)	No tax	Not applicable
Death Benefit Dependant* who is age 60 or over at the time they receive the benefit **and/or** you were age 60 or over at the time of your death	No tax	No tax
Death Benefit Dependant* who is under age 60 at the time they receive the benefit **and** you were under age 60 at the time of your death	No tax	The 'Taxable Component' of the income payments to a Reversionary Beneficiary will be taxed at their marginal tax rate, plus the Medicare levy, but a 15% tax offset applies.
Non-dependant(s) (Anyone who is not a Death Benefit Dependant such as a non-dependent adult child or sibling)	May be taxed at 15% (plus the Medicare levy)	Not applicable
Legal personal representative (e.g. lawyer or executor of the deceased member's estate)	May be taxed	Not applicable

* Death Benefit Dependant as defined by tax law. It means a spouse, former spouse or child (aged less than 18), or any other person who was, in the opinion of the Trustee, in any way financially dependent on the deceased member at the time of death, or with whom the deceased member had an interdependent relationship at the time of death.

Tax File Numbers (TFNs)

Almost every APSS member has provided their Tax File Number (TFN). Thank you! There can be consequences if you do not quote your TFN. For example, without a TFN, a super fund:

- Cannot accept member contributions (such as after-tax contributions).
- May deduct additional tax of 32% (including the Medicare levy) from some contributions (such as before-tax contributions), on top of the 15% contributions tax, bringing the tax rate to 47% (including the Medicare levy).
- May be required to withhold tax at the top marginal rate (plus the Medicare levy) from the taxable portion of benefits (if applicable).

It can also be more difficult for members to trace different super accounts in their name.

Where to get more detail and updates on super and tax

The Australian Taxation Office's website at **www.ato.gov.au** has a 'Super' section. Here you will find more details on super and tax, and they even have a virtual assistant to chat with you online about your general tax enquiries. You can also phone the Australian Taxation Office on **13 28 61**.

Where can I get personal financial advice?

Our highly-trained service representatives, who can be reached on **1300 360 373**, can talk you through the general information in this fact sheet. They cannot, however, provide you with personal financial advice. For that, you need to speak to someone licensed to provide such advice.

If you decide that you need personalised, individual tax advice about your super you can choose any financial planner you want. You may wish to go to 'Moneysmart' the consumer website of the Australian Securities & Investments Commission (ASIC), which has a section on 'choosing a financial adviser' with guidance on finding an adviser that suits you and your goals.

Do you need help?

If you need any help understanding this fact sheet, please contact us:

*Super*Phone **1300 360 373** Monday to Friday, 9.00am - 5.30pm (Sydney time).

sr@apss.com.au

apss.com.au
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