

TAX ON LUMP SUM SUPER PAYOUTS

May 2017

We may need to deduct tax, or an estimate of tax, from your super payout from the Mercer Super Trust. We are required to do this by law. Any difference between the tax we deduct and the actual tax you need to pay will generally be worked out as part of your annual tax assessment.

WHO IS AFFECTED

We will generally deduct tax from your super payout if you are under age 60 or if we pay a taxable component of your super to your non-dependant if you die. If you have reached age 60, super payouts we make to you will be tax-free.

THE AMOUNT OF TAX YOU'LL PAY

This depends on:

- your age when we process your payout
- the type of payout
- whether we have your Tax File Number (TFN)
- the components that make up your payout, and
- various other factors.

LUMP SUM PAYOUTS BEFORE AGE 60

Your super payout will be made up of a tax-free component (if you have one) and a taxable component.

Your tax-free component

This will generally be made up of any:

- personal, after-tax contributions on which you have not obtained a deduction
- spouse contributions, and
- an amount calculated at 1 July 2007 that represents your benefit before 1 July 1983.

A higher tax-free amount may apply if you are totally and permanently disabled.

Your taxable component

This is your super payout minus your tax-free component. Tax on this component is generally as follows:

- If you take your payout after you reach your preservation age but before age 60, you'll pay no tax on the first \$195,000* (for the 2017/18 financial year this will be \$200,000) (called the low rate cap and explained in more detail below) and 17% tax (including 2% Medicare levy) on any amount over \$195,000* (for the 2017/18 financial year this will be \$200,000), or
- If you take your super payout before you reach your preservation age (where you are allowed to), you'll pay tax at 22% (including 2% Medicare levy) on the total taxable component of the payout.

* 2016/17 amounts.

You may also need to pay the Medicare levy surcharge when you submit your tax return.

You may be taxed at a higher rate if you haven't given us your TFN.

If you receive a lump sum terminal illness payout, your whole payout will generally be tax free.

The low rate cap for the 2016/17 financial year is \$195,000 (for the 2017/18 financial year this will be \$200,000). This is indexed from 1 July each year to Average Weekly Ordinary Time Earnings (AWOTE) in steps of \$5,000. This is a lifetime limit that applies to all super payouts paid to you after you reach your preservation age.

Temporary resident payouts

Generally, higher tax rates apply to your super payout if you are a temporary resident and we can only pay your super to you after you leave Australia.

DEATH PAYOUTS (ALL AGES)

Lump sum payouts to your dependants

Payouts to your dependants will be tax free. This will include payouts to your dependants from super paid to your estate. Both the payouts to your estate and then to your dependants will be tax free.

Your dependants can be:

- your spouse or former spouse (including your de facto or same sex spouse)
- your child aged under 18, or
- a person you had an interdependency relationship with just before you died, or anyone who was dependent on you just before you died.

Lump sum payouts to your non-dependants

The taxable component of payouts to your non-dependants will be taxed at special rates, ranging from 15% to 30% plus the 2% Medicare levy and surcharge. Tax will not be deducted from any tax free component.

This includes payouts to your non-dependants from super paid to your estate.

NEED HELP?

You should get advice from a licensed, or appropriately authorised, financial adviser if you are unsure of what tax you may have to pay on your super payout.

IF YOU NEED MORE INFORMATION

You can read more about tax on benefits at <https://www.ato.gov.au/Individuals/Super/Super-changes>

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