

Important note

The information in this document forms part of the Product Information Booklets for GESB Super and West State Super, each dated 1 March 2021. You should read the important information in this document as part of the relevant Product Information Booklet before making a decision.

This brochure outlines the various areas where tax may be applied to your super. The Commonwealth Government provides tax incentives to encourage all working Australians to use super as a way of saving for their retirement. Various tax benefits and deductions are available when you and your employer contribute to your super fund. It is important that you understand how tax affects your super.

Tax is a complex area and we recommend that you seek professional taxation or financial advice to suit your situation.

Taxed and untaxed funds

At GESB, we manage both taxed and untaxed super funds or schemes. The main difference between the two is the timing of when tax is deducted, which impacts the tax treatment of the money within your super.

Our taxed schemes are GESB Super, Retirement Income Pension (incorporating RI Allocated Pension and Transition to Retirement Pension), and our untaxed schemes are West State Super and Gold State Super.

The untaxed nature of our West State Super scheme means that, unlike most other Australian super funds, West State Super does not pay income tax on any contributions or on investment earnings that your super account receives while it accumulates. Instead, tax is payable on your benefit when it is paid to you. It's perhaps more helpful to call it a 'deferred tax'.

Contributions

How your contributions are taxed

Contributions are taxed differently depending on whether you are making contributions to a taxed or untaxed fund.

Tax on contributions to a taxed scheme (e.g. GESB Super)

Concessional contributions

Concessional (before-tax) contributions

- Employer contributions, like Superannuation Guarantee (SG) and salary sacrifice
- Personal contributions for which a tax deduction is claimed

General treatment

Taxed at 15% at the time the contributions are made, up to your concessional contributions cap.

If you are a high income earner whose income and low tax contributions exceed \$250,000¹ then you may be liable for Division 293 tax (see page 6).

1 Effective from 1 July 2017.

Concessional contribution caps² for the 2020/21 financial year

This is an annual cap that limits the amount of concessional contributions you and your employer can make each financial year.

Your general concessional contributions cap is \$25,000 p.a.³

If you make contributions to super over your cap, then you may have to pay extra tax (see page 6).

Carry-forward concessional contributions from 1 July 2018

Effective 1 July 2018, you are able to 'carry forward' your unused concessional cap amounts into later financial years. You will only be entitled to contribute more than the general concessional contributions cap and make additional concessional contributions for any unused amounts if your super balance at the end of 30 June of the previous financial year was less than \$500,000.

For example, if you made \$15,000 of concessional contributions in both 2018/19 and 2019/20, you will have a carry forward amount of \$20,000 that you can utilise in the 2020/21 financial year if your total super balance at the end of 30 June 2020 was less than \$500,000. Amounts carried forward that have not been used after five years will expire.

Non-concessional contributions

General treatment

Non-concessional (after-tax) contributions

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|--|--|
| <ul style="list-style-type: none">Personal contributions for which no tax deduction is claimed (i.e. from your after-tax salary) | No tax applies up to your non-concessional contributions cap. |
| <ul style="list-style-type: none">Spouse contributions | Non-concessional contributions can only be made within the cap if your total super balance is less than \$1.6 million on 30 June of the previous financial year. |

Non-concessional contribution caps² for the 2020/21 financial year

If you make contributions to super over your cap, then you may have to pay more tax (see page 6).

Your non-concessional contributions cap is either:

- \$100,000⁴ p.a.
- If aged under 65, you may be able to bring forward one or two years of contributions depending on your total super balance on 30 June of the previous financial year. If your total super balance is less than \$1.4 million, you can bring forward two years of contributions i.e. \$100,000 plus \$200,000, giving you a cap of \$300,000 over three years⁵. It is important to know that you will not be able to use your remaining cap in years two or three if your total super balance on 30 June before the start of the second or third year exceeds the transfer balance cap (\$1.6 million for the 2020/21 financial year). The transfer balance cap is tested each 30 June during the bring-forward period, rather than only on 30 June before the year in which you trigger the bring-forward

Your total super balance must be less than the general transfer balance cap of \$1.6 million on 30 June of the previous financial year, or you cannot make non-concessional contributions without exceeding the non-concessional contribution cap.

More information

Visit ato.gov.au for more information on making non-concessional contributions.

² Contribution caps are applied per person, not per fund, which means contributions made to other funds are generally included in the caps.

³ For the 2020/21 financial year. The concessional contributions cap is indexed in line with Average Weekly Ordinary Time Earnings in increments of \$2,500 (rounded down).

⁴ For the 2020/21 financial year. This cap is equal to four times the general concessional contributions cap (which is currently \$25,000).

⁵ Where the bring-forward rule has been triggered, the future years' entitlements are not indexed.

Other contributions

General treatment

Non-concessional (after-tax) contributions

- Rollovers from other funds containing an untaxed element
- Government co-contributions
- Downsizer contributions

- The untaxed element is taxed at 15% at the time the rollover is received
- No tax applies to Government co-contributions or downsizer contributions

From 1 July 2018, if you're aged 65 or over and meet certain eligibility requirements, you can contribute up to \$300,000 from the sale of your family home into your super account.

The downsizer contribution will not count towards your contributions cap, however it will count towards your transfer balance cap. This cap applies when you move your super into retirement phase. For more information, visit ato.gov.au and read the ATO's 'Downsizing contributions into superannuation' factsheet.

Tax on contributions to an untaxed scheme (e.g. West State Super and Gold State Super)

Concessional contributions

General treatment

Concessional (before-tax) contributions

- Employer contributions, like Superannuation Guarantee (SG) and salary sacrifice

No tax applies when the contribution is made. You are taxed at the time you access your benefit including when you:

- Withdraw your benefit at retirement
- Transfer your super to a retirement income stream such as an allocated pension
- Roll over to a taxed fund, or
- Withdraw funds under the First Home Super Saver (FHSS) scheme

If you are a high-income earner and your income and low tax contributions exceed \$250,000, then you may be liable for Division 293 tax (see page 6).

Concessional contribution caps⁶ for the 2020/21 financial year

This is an annual cap that limits the amount of concessional contributions you and your employer can make each financial year.

Concessional contributions made to constitutionally protected funds, such as West State Super or Gold State Super, also count towards your concessional contributions cap, but are not capped within those schemes.

That is, the annual cap does not limit the amount of concessional contributions that you can make to a constitutionally protected fund. However, since contributions to a constitutionally protected fund count towards your annual cap, they do limit your ability to make further concessional contributions to other taxed schemes.

For example, if \$25,000 in concessional contributions were made to your West State Super account (including your employer contributions) you would not be able to make any further concessional contributions to a taxed scheme without exceeding your cap, unless you were entitled to make additional concessional contributions for any unused concessional contributions amounts carried forward.

An untaxed plan cap of \$1.565 million⁷ per super fund applies to the untaxed element of your benefit in Gold State Super and West State Super. This is the amount that can be paid as a lump sum or rolled over to a taxed fund and still be subject to concessional tax treatment (see 'Tax on benefits' on page 4).

⁶ Contribution caps are applied per person, not per fund, which means contributions made to other funds are generally included in the caps.

⁷ For the 2020/21 financial year, indexed annually in line with Average Weekly Ordinary Time Earnings, and rounded down to the nearest multiple of \$5,000.

Non-concessional contributions

General treatment

Non-concessional (after-tax) contributions

- Personal contributions for which no tax deduction is claimed (i.e. from your after-tax salary)
- Spouse contributions (West State Super only)

No tax applies up to your non-concessional contributions cap.

Non-concessional contributions can only be made within the cap if your total super balance is less than \$1.6 million on 30 June of the previous financial year.

Non-concessional contribution caps⁸ for the 2020/21 financial year

If you make contributions to super over your cap, then you may have to pay additional tax (see page 6).

Your non-concessional contributions cap is either:

- \$100,000⁹ p.a. or
- If aged under 65, you may be able to bring forward one or two years of contributions depending on your total super balance on 30 June of the previous financial year. If your total super balance is less than \$1.4 million you can bring forward two years of contribution i.e. \$100,000 plus \$200,000, giving you a cap of \$300,000 over three years¹⁰. It is important to know that you will not be able to use your remaining cap in years two or three if your total super balance on 30 June before the start of the second or third year exceeds the transfer balance cap (\$1.6 million for the 2020/21 financial year). The transfer balance cap is tested each 30 June during the bring-forward period, rather than only on 30 June before the year in which you trigger the bring-forward

More information

Visit ato.gov.au for more information on making non-concessional contributions.

Other contributions

General treatment

Non-concessional (after-tax) contributions – West State Super only:

- Rollovers containing an untaxed element
 - Government co-contributions
 - Downsizer contributions
- No tax applies when the contribution is made. You are taxed at the time you withdraw your benefit or rollover to a taxed fund. No tax applies to Government co-contributions or downsizer contributions. Please refer to the information on page 3 for downsizer contributions

Tax essentials

Tax on investment earnings

The way your investment earnings are taxed depends on the type of account of you have with us.

GESB Super

Taxed schemes, including GESB Super, are required to pay tax on investment earnings. The tax will generally be applied at a maximum rate of 15% and will be reflected in the unit price of each investment plan for GESB Super.

West State Super and Gold State Super

No tax is applied to investment earnings for untaxed schemes. Tax only applies when you withdraw your super or when you roll over your benefit to a taxed fund or a retirement income stream.

Contributions Tax Rebate

Taxed schemes, like GESB Super, are able to claim certain tax deductions from their assessable income, which reduces the tax liability of the fund. GESB Super credits this tax benefit to your account as a Contributions Tax Rebate. The rebate is 15% of the administration, insurance and other relevant fees charged to your account. We reimburse this tax benefit to you annually or when you leave the scheme.

Tax on benefits

Once you can access your super, the tax treatment of your benefit will depend on three things:

- How your benefit is paid to you
- Your age
- The components of your benefit

The benefit can be paid as a lump sum, rolled over to a complying super fund, or it can be taken as a retirement income stream. A \$1.6 million cap, indexed annually, applies to transfers to retirement income products, such as our RI Allocated Pension.

⁸ Contribution caps are applied per person, not per fund, which means contributions made to other funds are generally included in the caps.

⁹ For the 2020/21 financial year. This cap is equal to four times the general concessional contributions cap (which is currently \$25,000).

¹⁰ Where the bring-forward rule has been triggered, the future years' entitlements are not indexed.

Tax payable on lump-sum benefits

Even if you have an 'untaxed' super account, your super has tax-free and taxable components. You don't need to pay any tax on the tax-free component, only on the taxable component.

Here is how tax applies to how your benefit is paid to you.

GESB Super

- **Lump sum** - if you take your benefit as a lump sum, it is taxed according to the components that make up your benefit and your age at the time of withdrawal (see the 'Tax payable on lump-sum benefits' table)
- **Roll over your benefit** - if you roll over all or any portion of your benefit to another super fund, no tax will apply at the time of transfer
- **Income stream** - if you transfer your super to an allocated pension to receive an income stream, no tax will apply at the time of transfer

West State Super and Gold State Super

- **Lump sum** - if you take your benefit as a lump sum, it is taxed according to the components that make up your benefit and your age at the time of withdrawal (see the 'Tax payable on lump-sum benefits' table)
- **Roll over your benefit** - if you roll over all or any portion of your benefit to a taxed super fund, you will be taxed on the 'taxable component - untaxed element' by the new fund at a rate of 15% when it is received. However, if you exceed your untaxed plan cap for your super fund (i.e. \$1.565 million for the 2020/21 financial year, indexed annually) then 47% tax (including 2% Medicare Levy) will be deducted on the excess before rolling over your money. The excess amount after tax is included in the tax-free component
- **Income stream** - if you transfer your super to an allocated pension to receive an income stream, the tax treatment will be the same as if you rolled over to a taxed fund

① See our '**Retirement Income Pension Product Information Booklet**' at gesb.wa.gov.au/brochures for more information on tax on a retirement income stream.

TAX PAYABLE ON LUMP-SUM BENEFITS

GESB Super			West State Super and Gold State Super	
	Age	Tax withheld (including Medicare Levy ¹¹)	Age	Tax withheld (including Medicare Levy ¹¹)
Taxable component - taxed element	Under Commonwealth preservation age ¹²	22%	Under Commonwealth preservation age ¹²	22%
	Commonwealth preservation age ¹² - 59	First \$215,000 ¹³ = 0% Balance = 17%	Commonwealth preservation age ¹² - 59	First \$215,000 ¹³ = 0% Balance = 17%
	60+	Nil	60+	Nil
Taxable component - untaxed element	N/A		Under Commonwealth preservation age ¹²	First \$1,565,000 ¹³ = 32% Balance = 47%
	N/A		Commonwealth preservation age ¹² - 59	First \$215,000 ¹³ = 17% From \$215,000 ¹³ up to \$1,565,000 ¹³ = 32% Balance = 47%
	N/A		60+	First \$1,565,000 ¹³ = 17% Balance = 47%

Tax on super death benefits

Different tax treatment will apply upon death. If you pass away before you withdraw or roll over your super, we pay your super to your estate, or other individuals where permitted. We do not withhold any tax, as your estate is responsible for paying all taxes. Generally, death benefits paid as a lump sum are tax-free, provided the benefit is paid to a dependant. A dependant includes a spouse (including a de facto partner, or former spouse), a child aged under 18 (including an adopted child, a step child, or ex-nuptial child), any person who is financially dependent on you, and any person with whom you have an interdependent relationship.

If the death benefit is paid to a non-dependant, the taxable component will be subject to 17% tax on the 'taxed element' and 32% on the 'untaxed element'¹⁴.

¹¹ The rates in the table are inclusive of 2% Medicare Levy.

¹² Your Commonwealth preservation age depends on your date of birth. See the 'Commonwealth preservation age' section on page 7.

¹³ For the 2020/21 financial year, indexed annually in line with Average Weekly Ordinary Time Earnings, and rounded down to the nearest multiple of \$5,000.

¹⁴ The rates include 2% Medicare Levy.

Tax on super payments to departing temporary residents

If you are a temporary resident who is permanently departing Australia, different tax treatment will apply when your super is paid. The tax treatment will depend on the type of visa(s) held. Visit the ATO website at ato.gov.au for more information on how to claim or how these payments are taxed.

Other considerations

Exceeding your contribution caps

If you make contributions to super over your caps, you may have to pay more tax. If you exceed your contribution cap the ATO will contact you, setting out your options.

Concessional contributions cap

Excess concessional contributions are no longer subject to excess concessional contributions tax. The amount is included in your assessable income and taxed at your marginal tax rate plus an interest charge, called the excess concessional contributions (ECC) charge.

The ECC charge recognises that the tax on excess contributions is collected later than normal income tax. You will be entitled to a non-refundable tax offset of the 15% contributions tax paid by your super fund on the excess contributions.

You might choose to have up to 85% of your excess concessional contributions for a financial year refunded from super to help to pay your income tax assessment when you have excess concessional contributions. The excess concessional contributions withdrawn from your super scheme will also no longer count towards your non-concessional contributions cap.

Non-concessional contributions cap

You can elect to release the excess non-concessional contributions from super rather than be subject to excess non-concessional contributions tax (as is the case for contributions made pre-30 June 2013). The excess contributions tax is currently 47%.

If you do elect to release, the total release amount will be the excess non-concessional contributions plus 85% of the earnings associated with the excess non-concessional contributions. The full earnings will be included in your assessable income and taxed at your marginal tax rate (plus Medicare Levy). You will be entitled to a non-refundable tax offset of 15% on this amount.

The amount of the earnings is not the actual amount of earnings generated by your super fund. It is based on a legislative formula (referred to as 'associated earnings amount')¹⁵. For more information, please visit the ATO website at ato.gov.au.

Unlike excess concessional contributions, any excess non-concessional contributions refunded are not included in your assessable income, as they would generally have come from your after-tax money.

We strongly recommend that you seek taxation or personal financial advice to determine which option is suitable for you.

Division 293 tax for high income earners

Concessional contributions are generally taxed at the concessional rate of 15%. However, if you are a high income earner, you may be taxed an additional 15% on certain super contributions. This is known as Division 293 tax.

How does it work?

If your 'income'¹⁶ plus 'low tax contributions' exceed the high income threshold of \$250,000 for the 2017/18 or later financial years, an extra 15% tax is paid on the value of those 'low tax contributions' that exceed the threshold.

'Low tax contributions' generally refer to those contributions that are concessionally taxed in super. For the avoidance of doubt, Division 293 tax does not apply to excess concessional contributions. The terms 'income' and 'low tax contributions' are defined for Division 293 tax purposes.

Please visit the ATO website at ato.gov.au to understand what is included and excluded.

All super funds report details of all contributions they have received to the ATO. The ATO uses this contribution information plus your individual tax return to determine who is liable for Division 293 tax. The ATO administers the Division 293 tax and should be the main contact for enquiries about the tax. This is a complex area and we recommend that you seek your own tax or financial advice if you are impacted by this tax.

Does it apply to West State Super and Gold State Super?

Yes, low-tax contributions include concessional contributions made to tax exempt constitutionally protected funds. This includes West State Super and Gold State Super. For defined benefit super funds, such as Gold State Super, there are special rules for how the low-tax contributions are calculated. As employer contributions to defined benefit funds are notional, this amount has to be determined before the Division 293 liability can be assessed.

Are there any other special rules?

There are also special rules for Commonwealth judges and justices, and certain state higher level office holders. Visit ato.gov.au for a definition of 'state higher-level office holder' and to find out more about the special rules that apply.

How does the ATO collect the tax from you?

The ATO determines who is liable for Division 293 tax and, if you are liable, will issue a Division 293 tax assessment to you. The payment of all Division 293 tax is your responsibility. You will receive a release authority form with the notice of assessment which you can use to authorise us to release money directly to the ATO to pay some or all of your Division 293 tax liability. This does not apply to a defined benefit super fund, such as Gold State Super.

A Division 293 tax assessment for accumulation schemes, like GESB Super and West State Super, needs to be paid by the due date, which will usually be 21 days after you receive a notice of assessment from the ATO.

For defined benefit schemes, such as Gold State Super, the Division 293 tax can be deferred. This is because money cannot generally be released from a defined benefit account until a super benefit is paid, usually upon retirement.

¹⁵ The calculation of the associated earnings amount is performed by the ATO, utilising the General Interest Charge (GIC) rates for the four quarters of the relevant financial year the excess non-concessional contributions were made. To see the current rates, visit ato.gov.au.

¹⁶ Income is calculated as your taxable income plus other adjustments, such as reportable fringe benefits and investment losses.

The ATO will establish a debt account for deferred Division 293 tax amounts. At the end of each financial year, the ATO will apply interest at the long-term bond rate to the balance in the debt account. You can choose to make a voluntary payment to the ATO to reduce the balance of your Division 293 debt account.

Your Division 293 debt account will not close until a super benefit is paid from the defined benefit super interest it is attributed to. This is known as the 'end benefit'. We recommend that you seek professional advice before making any voluntary payments.

Please note if you have a Division 293 tax debt account with the ATO and you commence a transition to retirement strategy, this triggers an end benefit cap calculation and means your Division 293 tax debt will become immediately payable to the ATO.

Visit ato.gov.au for more information on the payment of Division 293 tax, including examples on how Division 293 tax is calculated.

Crystallisation of benefit components in untaxed funds

If you're in Gold State Super or West State Super and have a service period that commenced before 1 July 1983, then any withdrawal or roll over to a taxed fund from an untaxed fund will trigger the crystallisation of the pre-1 July 1983 amount for the untaxed element in the fund.

For more information, read our '**Pre-1 July 1983 service for untaxed super funds**' fact sheet at gesb.wa.gov.au/factsheets or call your Member Services Centre on 13 43 72.

Superannuation Contributions Surcharge

The government abolished the Superannuation Contributions Surcharge, backdated to 1 July 2005. This does not affect any surcharge tax liabilities you have that relate to a period before 1 July 2005. If you are advised by the ATO that you have a Superannuation Surcharge Tax liability, you'll need to pay this tax when you access your Gold State Super or West State Super benefits.

We provide a facility for you to make the surcharge payment in a tax-effective manner. You can authorise us to withhold part of your Final Benefit¹⁷ to meet your surcharge liability. This amount will be deducted tax-free from your Final Benefit so you can pay your surcharge liability to the ATO.

If you would like to take advantage of this facility, complete the relevant '**Benefit access**' form at gesb.wa.gov.au/forms, or download our '**Retirement Income Pension Product Information Booklet**' at gesb.wa.gov.au/brochures to complete our '**Retirement Income Pension application**' form.

For more information, read our '**Superannuation Contributions Surcharge**' fact sheet at gesb.wa.gov.au/factsheets or call your Member Services Centre on 13 43 72.

Commonwealth preservation age

There are certain conditions that you must meet before you can access your super. These rules have been put in place so that your super is only used to support you in your retirement, and 'preserve' your super until you reach your Commonwealth preservation age (or until certain other conditions are met). For most members, you will be able to access your super once you reach age 65, or once you have reached your preservation age and permanently retire. Your preservation age depends on your date of birth.

The following Commonwealth preservation ages apply.

Your date of birth	Commonwealth 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
After 30 June 1964	60

For Gold State Super members, please be aware that you may pay more tax if you access your benefit too early. Your benefit is taxed according to your Commonwealth preservation age, which is different to the age at which you can access your benefit in Gold State Super.

17 See our 'Gold State Super essentials' brochure at gesb.wa.gov.au/brochures for a full list of defined terms.

Disclaimer: the information contained in this brochure is of a general nature, and does not constitute legal, taxation or personal financial advice. In providing this information, we have not considered your personal circumstances including your investment objectives, financial situation or needs. We are not licensed to provide financial product advice. Before acting or relying on any of the information in this brochure, you should review your personal circumstances, and assess whether the information is appropriate for you. You should read this brochure in conjunction with the relevant Product Information Booklet and disclosure documents at gesb.wa.gov.au/brochures. You may also wish to seek advice specific to your personal circumstances from a suitably qualified adviser.

 **How to contact us**

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