Pre-1 July 1983 service for untaxed super funds

West State Super and Gold State Super

GOVERNMENT OF WESTERN AUSTRALIA

GESB SUPERANNUATION

To request this document in an alternative format such as Braille, call us on 13 43 72 or use our Live chat service at gesb.wa.gov.au.

This fact sheet is intended to provide information for Gold State Super or West State Super members who have an eligible service period that commenced before 1 July 1983. Please contact your Member Services Centre on 13 43 72 to confirm this service period.

This fact sheet is not intended to be a substitute for the '**Gold State Super essentials**' brochure or the '**West State Super Product Information Booklet**', both available at gesb.wa.gov.au/brochures. These documents include all of the information you should consider before making a decision. You should read the relevant brochure or Product Information Booklet and consider seeking professional legal, taxation or personal financial advice before you act.

All examples and scenarios used in this document are for illustrative purposes only.

Impact of pre-1 July 1983 service on untaxed super funds

The eligible service period before 1 July 1983 forms part of the tax-free component of your super benefit. This portion is commonly referred to as the pre-1 July 1983 amount.

Determining the pre-1 July 1983 amount to be included in the tax-free component of your super benefit will depend on the tax status of your super fund.

For taxed super funds such as GESB Super, the pre-1 July 1983 amount was calculated as at 30 June 2007 and was included as part of the tax-free component on that date. This is referred to as crystallisation, as the amount became fixed and formed part of the tax-free component.

For untaxed super funds, like West State Super and Gold State Super, the crystallisation of the pre-1 July 1983 amount for the untaxed element in the fund is only calculated when a lump-sum benefit is withdrawn or rolled over to a taxed super fund.

How pre-1 July 1983 service is calculated

Calculating your pre-1 July 1983 service will have an impact on the tax components of your super benefit and, therefore, how much tax is payable when you withdraw from the fund.

The pre-1 July 1983 amount of your benefit from an untaxed super fund is calculated as the **lesser** of the two following amounts:

1. Original tax-free component and untaxed element
   X
   $$\frac{\text{number of pre-1 July 1983 days in service period}}{\text{total number of days in service period}}$$
2. The amount of the untaxed element in the fund

The tax-free component of your benefit is increased, and the untaxed element is reduced, by your pre-1 July 1983 amount.

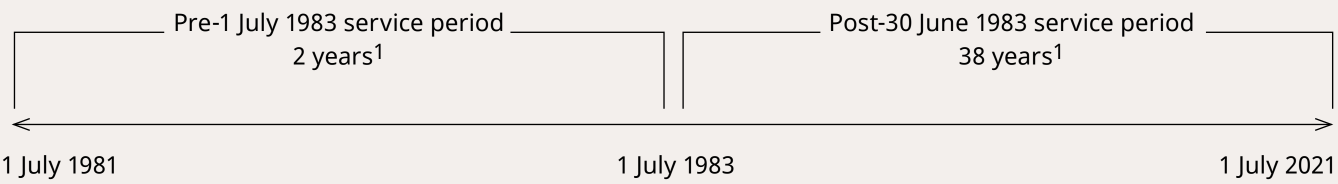
Meet John

John is aged 60, and is a Gold State Super member. He has a Gold State Super account balance of $600,000 calculated as at 1 July 2021. His account balance includes a tax-free component of $60,000 (John's after-tax contributions to his Gold State Super account) and a 'taxable component - untaxed element' of $540,000. John started working for the WA public sector on 1 July 1981 and had continuous service until he retired on 1 July 2021.

Calculating John's service period

John's total service period of 40 years can be divided to show the pre-1 July 1983 service period of 2 years[1] and the post-30 June 1983 period of 38 years[1].

Total service period = 40 years[1]



1 Please note, the formula is based on number of days, however we have used years to simplify.

Calculating John's tax components

If John decides to withdraw his Gold State Super benefit, his pre-1 July 1983 amount will need to be calculated.

The pre-1 July 1983 service period (two years) is divided by the total service period (40 years) and then multiplied by his total benefit of $600,000.

The pre-1 July 1983 amount is calculated as the **lesser** of:

- (Original tax-free component of $60,000 + untaxed element of $540,000) x 2/40 = $30,000
- The untaxed element of $540,000

The tax-free component of John's benefit is therefore increased by $30,000. The total tax-free component is now $90,000 (original tax-free component of $60,000 plus the pre-1 July 1983 amount of $30,000).

The taxable component of John's benefit is now $510,000 (the original untaxed element of $540,000 less the pre-1 July 1983 amount of $30,000).

The amount of tax payable will depend on how John accesses his benefit.

Here are two scenarios involving John and the impact of having a pre-1 July 1983 service period on his tax payable.

Scenario 1 Taking his full benefit as a cash payment

If John took his Gold State Super benefit as a cash payment, the taxable component of $510,000 is subject to tax of 17%[2,3]. This will result in tax payable of $86,700. If John was under the age of 60 and taking a cash benefit, then the rate of tax could be higher.

More information on tax rates can be found in the '**Tax and super**' brochure available at gesb.wa.gov.au/brochures.

Scenario 2 Rolling over his full benefit to a taxed super fund

If John rolled over his Gold State Super benefit to a taxed super fund, such as our Retirement Income Pension, the taxable component of $510,000 is subject to tax of 15%[3] by the taxed fund, resulting in tax payable of $76,500.

The table below illustrates the tax impact of having pre-1 July 1983 service when rolling over to a taxed super fund, such as our Retirement Income Pension.

Component	Amount	Tax component
Pre-1 July 1983 amount	$30,000	Tax free and no tax applies
Original tax free (i.e. personal after-tax contributions)	$60,000	Tax free and no tax applies
Taxable – untaxed element (i.e. the remainder of the benefit)	$510,000	Taxable – untaxed element and is subject to tax
Gross benefit	**$600,000**	
Tax payable on rollover of 15%	$76,500	
Net benefit (after tax)	**$523,500**	

The net benefit (after tax) includes a tax-free component of $90,000 and a taxable component – taxed element of $433,500 (i.e. $510,000 less tax of $76,500).

John gains a tax saving of $10,200 (scenario 1 tax of $86,700 less scenario 2 tax of $76,500). This is because the Medicare Levy is not payable on rollovers as it is with cash payments (as in scenario 1 above). As John is aged 60[4], any regular income payments or lump-sum payments from his allocated pension will also be tax free.

For more information on our Retirement Income Pension, read the '**Retirement Income Pension Product Information Booklet**' available at gesb.wa.gov.au/brochures.

2 Includes 2% Medicare Levy.
3 There is an untaxed plan cap per super fund which is $1.705 million for the 2023/24 financial year (indexed annually in line with Average Weekly Ordinary Time Earnings, in increments of $5,000 rounded down). Amounts up to your untaxed plan cap are taxed at 15% on rollover to a taxed fund. Amounts above your untaxed plan cap are taxed at 47% prior to rollover.
4 If you are aged 60 or over, your regular income stream payments or lump-sum payments will be tax free and you will not be required to include these payments in your income tax return.

Maximising your tax-free component

Members who have pre-1 July 1983 eligible service and have an untaxed super fund, such as Gold State Super or West State Super, may be able to maximise their tax-free component by making personal after-tax contributions to their untaxed super fund before accessing their benefit.

This is a complex area and we recommend that you seek professional legal, taxation or personal financial advice.

Gold State Super members who are currently employed in the WA public sector may be eligible to open a West State Super account, provided they have pre-1 July 1983 service. Please contact your Member Services Centre on 13 43 72 to find out more.

Other considerations

Untaxed plan cap

Moving from one untaxed super fund, such as Gold State Super, to another untaxed super fund, such as West State Super, will not trigger the pre-1 July 1983 crystallisation in Gold State Super.

It is also important to understand that rolling over your entire benefit to West State Super will mean you only have one untaxed plan cap[5] when you access your Final Benefit. Effectively, the untaxed benefit in Gold State Super is assessed twice: first, in Gold State Super when you roll over to West State Super (i.e. against your untaxed plan cap[5] in Gold State Super), and then again when you access your benefit in West State Super (i.e. against your untaxed plan cap[5] in West State Super).

Non-concessional contributions cap

If you are considering making additional after-tax contributions into your West State Super account, then the non-concessional contributions cap of $110,000 per annum for the 2023/24 financial year will apply[6].

Your non-concessional contributions cap is:

- $110,000[6] p.a. or
- If aged under 75 at any time in the financial year, you may be able to bring forward one or two years of contributions i.e. if two years then $110,000 plus $220,000, giving you a cap of $330,000 over three years. Where a bring forward arrangement has been triggered, the future years' entitlements are not indexed and they must be made before you turn 75

If your total super balance (across all your super accounts) is equal or greater than $1.9 million on 30 June of the previous financial year, then your non-concessional contributions cap is nil for the financial year.

The amount available under the bring-forward rule depends on your total super balance as at 30 June in the previous financial year. This is tested each 30 June, including during the bring-forward period. For more information, please read the '**Contributing to your super**' brochure, available at gesb.wa.gov.au/brochures.

More information can be found in the '**Tax and super**' brochure available at gesb.wa.gov.au/brochures.

5 There is an untaxed plan cap per super fund, which is $1.705 million for the 2023/24 financial year (indexed annually in line with Average Weekly Ordinary Time Earnings, in increments of $5,000 rounded down). Amounts up to your untaxed plan cap are taxed at 15% on rollover to a taxed fund. Any untaxed amounts in excess of your cap are taxed at 47% on withdrawal or before roll over.

6 Non-concessional contributions to all of your super funds will count towards your non-concessional contributions cap (including non-concessional contributions made to Gold State Super and West State Super).

How to contact us

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