

# How super is taxed guide (BA.2)

Issued 1 July 2019

The information in this document forms part of the ESSSuper Beneficiary Account Product Disclosure Statement dated 1 July 2019.

  
**ESSSuper**  
Emergency Services & State Super

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This Incorporated Guide has been issued to help you make an informed decision about ESSSuper's products, features and benefits. It's of a general nature only and doesn't take into account your personal or financial objectives, situation or needs. Before making a decision about an ESSSuper product, consider seeking professional advice from a licensed financial adviser. The information in this document is up-to-date at the time of issue but may change from time to time. When a change is not materially adverse, it will be updated and published on the ESSSuper website at [esssuper.com.au](http://esssuper.com.au). A paper copy of any updated information will be provided without charge on request.



### Note:

Providing your Tax File Number to your super fund gives you a number of advantages that may not otherwise apply.

## Providing your Tax File Number (TFN)

Under tax laws and the *Superannuation Industry (Supervision) Act 1993*, ESSSuper is authorised to collect your TFN and will use it only for lawful purposes, including:

- calculating tax on any super benefit to which you are entitled and providing information to the Commissioner of Taxation
- transferring your benefit to a complying super fund, an Exempt Public Sector Super Scheme, or to a retirement savings account, where we may disclose your TFN to the trustee or provider of that fund or account or the Commissioner of Taxation, unless you advise us in writing not to disclose it.

You are not obliged by law to provide your TFN and it is not an offence to not quote your TFN, however, providing your TFN to ESSSuper will have the following advantages (which may not otherwise apply):

- ESSSuper will be able to use your TFN to identify your account
- ensure you receive the Government co-contribution if you are eligible
- other than the tax that may ordinarily apply, no additional tax will be deducted when you start drawing down your super benefits
- it will be easier to trace different super accounts in your name so that you receive all of your super benefits when you retire.

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The lawful purposes for which we can use your TFN, and the consequences of not providing your TFN, may change in the future as a result of legislative change. To provide your TFN, please complete the *Tax File Number Notification form (ES157)*, available from our website at [esssuper.com.au/forms](http://esssuper.com.au/forms), and return it to us.

We may also use your TFN to identify multiple accounts within ESSSuper and consolidate them where permitted by law.

## Tax on transfers and rollovers into the Beneficiary Account

Generally, transfers into the Beneficiary Account are not taxed.

If you are transferring over an untaxed element from another fund, ESSSuper will deduct 15% contributions tax from the untaxed element upon deposit into the Beneficiary Account. If the amount of the untaxed element is above \$1,515,000\*, the transferring fund must also withhold tax at 47% including Medicare levy of 2% on the amount above \$1,515,000\* at the time of the transfer.

\* Untaxed plan cap amount current for the 2019/20 financial year.

ESSSuper offers a special arrangement whereby members can elect to have benefits transferred from the ESSS Defined Benefit Fund which contain an untaxed component, and maintain this component on entry into the Beneficiary Account. However, higher tax rates will apply on the untaxed element upon withdrawal from the ESSSuper Beneficiary Account (see table on page 3).

## Tax on investment earnings

Investment earnings are generally taxed at 15%, however the final rate may be less than 15% after tax deductions, offsets and credits are applied. Tax is deducted from investment earnings before crediting rates are declared and applied to your account.

## Tax on withdrawals

Withdrawals may include two tax components:

- a tax free component, which is generally made up of any non-concessional contributions plus certain pre-July 2007 benefits, and
- a taxable component, which is generally made up of any concessional contributions (including employer SG and salary sacrifice contributions) and investment earnings.

The taxable component may contain two elements – a taxed element and an untaxed element. Your withdrawal will contain an untaxed element where you opted to transfer the untaxed Optional Benefit from the ESSS Defined Benefit Fund.

When you withdraw money from your account, it is withdrawn proportionately from the tax free and taxable components of your benefit based on the value of these components at the date of your withdrawal.

The tax free component of your benefit is not subject to tax when you withdraw your benefit. The taxable component may be subject to tax as outlined in the table on page 3.

## Lump sum tax if you have provided your TFN

If you have provided ESSSuper with your TFN, no tax will be withheld from the tax free component of any lump sum payment. Tax may be withheld from the taxable component, depending on your age and the components of your withdrawal as shown in the table below.

Benefit type	Tax component of withdrawal	Age at date of withdrawal	Amount subject to tax	Tax rate (including Medicare levy of 2%)
<b>Member benefits</b> (e.g. withdrawals, retirement, resignation and retrenchment benefits)	Taxable (taxed element)	Below preservation age <sup>1</sup>	Whole amount	22%
		Preservation age <sup>1</sup> to 60	Amount up to \$210,000 <sup>2</sup>	Nil
			Amount above \$210,000 <sup>2</sup>	17%
		Age 60 or above	Whole amount	Nil
	Taxable (untaxed element)	Below preservation age <sup>1</sup>	Amount up to \$1,515,000 <sup>3</sup>	32%
			Amount above \$1,515,000 <sup>3</sup>	47%
		Preservation age <sup>1</sup> to 60	Amount up to \$210,000 <sup>2</sup>	17%
			Amount above \$210,000 <sup>2</sup> up to \$1,515,000 <sup>3</sup>	32%
		Age 60 or above	Amount up to \$1,515,000 <sup>3</sup>	17%
			Amount above \$1,515,000 <sup>3</sup>	47%
<b>Transfers and rollover between super funds</b>	Taxable (taxed element)	Any	Whole amount	Nil
	Taxable (untaxed element)	Any	Amount up to \$1,515,000 <sup>5</sup>	Nil
		Any	Amount above \$1,515,000 <sup>3</sup>	47%
<b>Death benefit paid to tax dependant</b>	Whole benefit	Any	None	Nil
<b>Death benefit paid to non-tax dependant</b>	Taxable (taxed element)	Any	Whole amount	17%
	Taxable (untaxed element)	Any	Whole amount	32%
<b>Death benefit paid to estate</b>	ESSSuper pays the death benefit tax free to the estate initially and the legal personal representative must then determine whether the benefit is paid to a dependant or non-dependant and withhold tax accordingly (if applicable).			
<b>Terminal illness benefit</b>	Whole benefit	Any	None	Nil
<b>Account balance less than \$200<sup>5</sup></b>	Whole benefit	Any	None	Nil
<b>Departing Australia Superannuation Payment</b>	Taxable (taxed element)	Any	Whole amount	38% <sup>4</sup>

<sup>1</sup>. Refer to the *Accessing your super guide (BA.4)* available from our website at [esssuper.com.au/pds](http://esssuper.com.au/pds), for your preservation age.

<sup>2</sup>. The 'low rate cap' is \$210,000 for payments made in the 2019/20 financial year and is indexed annually. The low rate cap is the maximum amount of the taxable component that is given the lowest rate of tax and is a lifetime cap.

<sup>3</sup>. The 'untaxed plan cap' is \$1,515,000 for payments made in the 2019/20 financial year and is indexed annually. The untaxed plan cap is the maximum untaxed super benefit received as a lump sum from a super fund which will be subject to concessional tax rates and is a lifetime cap.

<sup>4</sup>. Rate shown does not include the Medicare levy of 2%.

<sup>5</sup>. Conditions apply.

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## Lump sum tax if you haven't provided your TFN

If ESSSuper doesn't have your TFN, we may be required to withhold tax at a higher rate from your withdrawal. If you're under age 60 at the date of the withdrawal, ESSSuper must withhold 47% including Medicare levy of 2% for 2019/20 and later financial years from the taxable component of a lump sum payment (or 45% if you are a foreign resident). If you are aged 60 or older at the date of payment and the lump sum does not contain an untaxed element, tax will not be withheld.

## Death benefit payments

Generally, if a death benefit is paid to a 'tax dependant' beneficiary, the benefit will be paid tax free. A tax dependant beneficiary includes:

- your legal spouse or de facto partner (including a person, whether of the same or opposite sex, with whom you are in a registered relationship under prescribed laws)
- your children under 18 years of age
- any person who was financially dependent on you at the time of death
- any person who had an interdependency relationship with you at the time of death.

Tax may be payable if the death benefit is paid to a non-tax dependant or to the estate (see table on page 3).

It is important to note that a child over 18 who is not financially dependant upon you at the date of death will not be a tax dependant.

## Departing Australia superannuation payments (DASPs)

If you are working in Australia on a temporary resident's visa, you may be able to claim your super when you leave Australia. This type of payment is known as a departing Australia superannuation payment (DASP). The tax rates payable on a DASP are shown in the table on page 3.



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## Statement of Compliance

The Fund is an exempt public sector superannuation scheme under the Commonwealth's *Superannuation Industry (Supervision) Act 1993* (SIS). The SIS legislation deems exempt public sector superannuation schemes to be complying for the purposes of the Income Tax Assessment Act, and Superannuation Guarantee purposes.

The Victorian Government has agreed to the Commonwealth's retirement income principles in the 2014 Heads of Government Agreement (the Agreement) between the Commonwealth and Victorian Governments. The Agreement sets out the principles of the Commonwealth's retirement incomes policy that the Victorian Government is required to comply with to ensure consistency with national superannuation standards. These principles include, but are not limited to, preservation standards, contributions, security of accrued benefits, vesting, portability and consolidation, lost members and unclaimed money, insurance, member representation, trustee governance, investments, risk management framework, regular audit and actuarial reviews, data and e-commerce standards and processes for the consideration of complaints.

The Victorian Government has agreed to conform with the principles of the Commonwealth's retirement income policy as reflected in the Agreement and from time to time in Commonwealth superannuation and taxation law. The Victorian Government is required to monitor this Agreement and publish a statement of its commitments in the ESSSuper Annual Report, including details of the processes that ESSSuper has in place to monitor compliance with the Agreement. On an annual basis, the Victorian Government is required to provide the Commonwealth Government with a copy of the ESSSuper Annual Report and confirm that there has been no legislative change in the governing rules of its exempt public sector superannuation schemes (which include the Fund) that would lead to a breach of the Agreement.

ESSSuper has a detailed program to assess compliance with internal policies and procedures, Victorian Acts of Parliament and Commonwealth superannuation and taxation laws. Results are reported regularly to the Governance, Risk and Compliance Committee and detailed each year in the Annual Report.

## Need help with your super?

- visit [esssuper.com.au](http://esssuper.com.au) for tips, tools and calculators
- book in for a free super seminar online at [esssuper.com.au/seminars](http://esssuper.com.au/seminars)
- call our Member Service Centre on 1300 650 161
- call us to arrange a free individual consultation with a Member Education Consultant
- if you want personal financial advice tailored to your individual circumstances, we can arrange a referral to a licensed financial adviser that charges on a fee-for-service basis (commission free). ESSSuper has an arrangement with Link Advice Pty Ltd for Link Advice and its authorised representatives to provide members with financial advice under Link Advice's Australian Financial Services Licence (No. 258145). Appointments are located at ESSSuper's office.

ESSSuper Financial Advisers are authorised representatives of Link Advice Pty Ltd (Link Advice). Link Advice holds a current Australian Financial Services Licence No. 258145 and is responsible for the financial services provided to you by it or its authorised representatives.

ESSSuper has an arrangement with Link Advice Pty Ltd to provide financial advice to ESSSuper members. ESSSuper pays Link Advice a fee for this service. Neither the Board, nor the Victorian Government, guarantee or endorse any recommendations made by Link Advice or its authorised representatives, or are responsible for the advice and actions of Link Advice or its authorised representatives.

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This Incorporated Guide (which forms part of the Beneficiary Account Product Disclosure Statement) was prepared and issued by the Emergency Services Superannuation Board (Board) ABN 28 161 296 741, the Trustee of the Emergency Services Superannuation Scheme ABN 85 894 637 037 (Scheme). The Board and the Scheme were both established under the *Emergency Services Superannuation Act 1986 (Act)*. The Scheme is an exempt public sector superannuation scheme. Examples in this document are for illustration purposes only. They're not intended to be recommendations or preferred courses of action. Note that all investments carry risks and past investment performance gives no indication of future performance. Benefits in ESSSuper's Beneficiary Account are not guaranteed or underwritten by the Victorian Government or ESSSuper.