PRP PITCHER RETIREMENT PLAN

PITCHER PARTNERS ACCOUNTANTS • AUDITORS • ADVISORS

Taxation of Superannuation

October 2017

The following provides an overview of the way superannuation is taxed. The information represents our understanding of the tax law at the time of publication which may change.

We recommend if you are in any doubt about the way the tax law applies in your circumstances you should seek your own professional advice.

Contributions

Contributions tax of 15% applies on concessional contributions within allowable limits. Concessional contributions include contributions made by your employer and contributions made by you from pre-tax salary.

Non-concessional contributions within allowable limits are generally not taxed in the fund as they represent contributions from sources where tax has already been paid.

All superannuation contributions are subject to contribution limits, which if exceeded, may result in you being taxed more.

Monitoring compliance with allowable limits is the member's responsibility. The Plan does not have sufficient information to monitor compliance on your behalf.

You should refer to our publication *Superannuation Contributions* for more information on superannuation contributions and contribution limits.

Tax deduction for personal super contributions

You may be able to claim a tax deduction for personal superannuation contributions.

Eligible members intending to claim a personal contribution deduction should lodge the form *"Notice of intent to claim or vary a deduction for personal super contributions form"* available from the ATO website.

We will acknowledge receiving your notice of intention.

Investment earnings

Investment earnings are generally taxed at a maximum rate of 15% and capital gains are generally taxed at an effective rate of 10%. The actual rate of tax may be lower due to imputation credits from equity investments, foreign tax credits and income tax deductions.

Members receiving a pension will not be taxed on investment earnings attributable to their Pension Account balance. There is currently a pension cap that limits the amount members can transfer into their Pension Account. The pension cap starts at $1.6m and will be indexed periodically. Pension members also receive a refund of imputation credits.

Benefits

Generally withdrawals on or after age 60 are not taxed. If you access superannuation before age 60 however it is likely you will be taxed.

The following tax applies on lump sum payments from the Plan

Component	Age on date payment received	Amount subject to withholding	Rate of withholding
Tax free component	All ages	Nil	Nil
Taxable component	Under preservation age	Entire amount	22%
	Preservation age but below age 60	Up to low rate cap amount*	Nil
		Excess above low rate cap amount*	17%
	Aged 60 and over	Nil	Nil

*The low rate cap amount for 2017/18 is $200,000. The amount is indexed annually.

The following tax applies on pension payments from the Plan

Component	Age on date payment received	Amount subject to withholding	Pension tax offset
Tax free component	All ages	Nil	Nil
Taxable component	Under preservation age	Entire amount at marginal rates	Nil
	Preservation age but below age 60	Entire amount at marginal rates	15%
	Aged 60 and over	Nil	Nil

Taxable component

The taxable component generally comprises the portion of your benefit made up of employer/deductible contributions and investment earnings.

Tax free component

The tax-free component generally comprises the portion of your benefit made up of non-concessional contributions (formerly undeducted contributions).

Death benefits

Death benefits are tax free when paid to tax dependants. A dependant for tax purposes includes a spouse, a child under 18, a person with whom the deceased had an interdependency relationship on the date of death, or any other person who was a financial dependant of the deceased on the date of death.

The definition of spouse includes same sex couples and the definition of child includes eligible children of same sex couples.

If the lump sum death benefit is paid to a non-dependant, the taxable component will be taxed at 17% (including Medicare levy) but part of the benefit may be taxed at up to 32% (including Medicare levy) if it comprises of insurance proceeds. The tax free component will be tax free if paid to a non-dependant.

Total and Permanent Disability benefits

Total and Permanent Disability benefits are taxed as a lump sum benefit. Generally, the tax free component will include the proportion of the benefit that relates to the period from the date of total and permanent disablement to age 65. The remainder will be deemed the taxable component.

Income protection benefits

Income protection benefits are generally taxed at your marginal tax rate.

Goods and Services Tax (GST)

No GST is payable on contributions, on benefits paid, rolled over or transferred, or on the net fund earning rate applied to a member's account.

When tax is deducted

Contribution taxes are deducted at the time contributions are made to your account. Earnings tax is deducted from the investment return prior to paying to your account. Benefit taxes would generally be deducted prior to the benefit being paid.

Tax File Numbers

You should provide us with your Tax File Number (TFN) when you join the Plan. If your TFN is not provided all concessional contributions will be taxed at the top marginal rate plus Medicare levy and you cannot make after-tax contributions. If you do not provide your TFN, tax will be withheld at the top marginal rate plus Medicare levy on the taxable component of any benefit payment made to you.

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