

## 7. How super is taxed

The information in this document forms part of the Product Disclosure Statement (PDS), dated 1 July 2011, for the LGS Accumulation Scheme. This document is dated 1 July 2011.

Please note that the information contained in this Fact Sheet represents the Trustee's understanding of taxation law as at the date of issue. However, we recommend that you seek your own professional tax advice.

The following table provides an overview of the types of taxes on superannuation.

Types of taxation	
Contribution tax	This is a 15% tax levied on all concessional contributions and untaxed components within a rollover from another fund.
Tax on investment earnings	Earnings on investments are generally taxed at a maximum of 15%. The effective rate may be reduced below 15% due to the effect of various tax credits and rebates.
Tax on death benefits	The tax payable on death benefits depends on an individual's circumstances. We recommend that you seek advice from a suitably qualified professional about how the tax laws apply specifically to your estate, spouse, and dependants.
Tax on superannuation lump sum payments	There may be tax payable when you make a lump sum withdrawal. Lump sum payments are subject to different tax rates depending on your circumstances.

### Tax treatments on superannuation lump sum payments from a taxed source

Component	Age less than 55*	Age 55 - 59*	Age 60+
Tax-free component	Tax free	Tax free	Tax free
Taxable component	Taxed at 20%	Tax free up to the low rate cap amount with the balance taxed at 15%	Tax free

The Medicare levy of 1.5% is also payable upon any benefit where tax is payable. Note that the flood levy may also be payable on top of the Medicare levy – see below for further information.

\*For those born after 30 June 1960, age 55 is replaced with your preservation age.

### Flood levy

The Government has introduced a temporary flood levy to apply to income from 1 July 2011 to 30 June 2012. It will affect individuals that receive a superannuation lump sum payment where the total taxable component is over \$50,000 for the 30 June 2012 year, and where no flood levy exemption has been granted.

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The table below outlines the flood levy rates for the 2011-2012 year.

<b>Taxable income</b>	<b>Flood levy on this income</b>
\$0 to \$50,000	Nil
\$50,001 to \$100,000	Half a cent for each \$1 over \$50,000
Over \$100,000	\$250 plus 1c for each \$1 over \$100,000

## Goods and Services Tax (GST)

Your contributions to and withdrawals from LGS will not be subject to GST. However, GST will be included in some fees paid by LGS for management and investment services by the providers of those services.

In respect of some of those GST amounts, LGS can claim back 75% of the GST incurred as a reduced input tax credit. This amount is credited to LGS and the remaining amount (25%) is effectively included as a LGS expense.

## Tax benefit

If you have taxable contributions allocated to your account, LGS is able to claim a tax deduction on your behalf for any administration costs and insurance premiums that you have paid in the financial year.

If you are eligible for the tax benefit, this will be passed on to you by way of reduced contributions tax.

## Spouse tax offset

A contributing spouse is entitled to receive an 18% offset for contributions up to \$3,000 per annum to a superannuation fund or retirement savings account.

The maximum offset of \$540 applies to a contribution of \$3,000 where the spouse's eligible income (including reportable fringe benefits) is below \$10,800 per annum. Where the spouse's assessable income exceeds this amount, the offset will phase out on a dollar-for-dollar basis. The spouse tax offset is no longer available when the spouse's income exceeds \$13,800 per annum.

The Australian Taxation Office (ATO) will determine eligibility for the offset. Contact the ATO for more information about this rebate.

## Terminally ill benefits

Where a lump sum amount is paid for a member who has been approved for a payment under the Terminally ill condition of release, no tax will be payable.

## Anti-detriment payments

An anti-detriment payment is a lump sum amount that is paid in addition to the account balance of a deceased member to the trustee of the deceased estate (for the benefit of the spouse, ex-spouse or child) or to a spouse, a former spouse or child of the deceased member.

An anti-detriment payment is only made where the benefit is paid as a lump sum and represents a refund of the 15% contributions tax levied against the deceased member's superannuation entitlements during their lifetime.

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An anti-detriment payment forms part of the taxable component of a death benefit and where it is paid to a spouse, ex-spouse or minor child the entire benefit will be tax free. However, where the anti-detriment payment is made to an adult child, it will be taxed at 15% plus Medicare in line with the tax normally paid by a non-dependant beneficiary on the taxable component of a death benefit.

## Low rate cap

The low rate cap is the limit set on the amount of the taxable component of a super lump sum benefit that you can receive at a lower (or nil) rate of tax. It applies if you have reached your preservation age (55 if born before 1 July 1960) but are below age 60. After reaching age 60 your entire benefit when withdrawn is tax free.

As at 1 July 2011, the low rate cap is \$165,000. The low rate cap is a lifetime limit.

## Will social security benefits be affected?

Social security benefits depend on individual circumstances. Superannuation benefits may not only affect your social security entitlement, but also those of your spouse and/or dependants who may receive a benefit or pension after your death.

You should seek advice from a suitably qualified professional about how this may affect you.