



# Taxation

## Overview

In addition to the tax information provided in the Product Disclosure Statement, there are tax implications in other areas of your superannuation.

## Goods and Services Tax (GST)

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

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

## Tax benefit

If you have taxable contributions allocated to your account, Local Government Super 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.

## Low income spouse 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. This 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.

## 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 After reaching age 60 your entire benefit when withdrawn is tax free.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 2008, the low rate cap is \$145,000 and is subject to indexation. 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.

## Tax File Number (TFN)

Under the Superannuation Industry (Supervision) Act 1993, your superannuation fund is authorised to collect your TFN which will only be used for lawful purposes.

These purposes may change in the future as a result of legislative change. The Trustee may disclose your TFN to another superannuation provider when your benefits are being transferred, unless you request the Trustee in writing that your TFN not be disclosed to any other superannuation provider.



It is not an offence not to quote your TFN. However giving your TFN to your superannuation fund will have the following advantages (which may not otherwise apply):

- Your superannuation fund will be able to accept all types of contributions to your account(s)
- The tax on contributions to your superannuation account(s) will not increase
- Other than the tax that may ordinarily apply, no additional tax will be deducted when you start drawing down your superannuation benefits
- It will make it much easier to trace different superannuation accounts in your name so that you receive all your superannuation benefits when you retire.

If you do not provide your TFN by the end of the financial year and the additional tax is deducted, you can still provide your TFN and apply to have the additional tax refunded. However, additional tax will only be able to be refunded if the TFN is received within three years of the year in which the contributions were made and the additional tax was deducted.

If we have paid the additional tax to the ATO, there will generally be a considerable delay before any tax paid can be reclaimed because the application can only be made when we lodge our next tax return. If you leave Local Government Super before any additional tax can be reclaimed from the ATO, your super payout will be reduced. You will not be able to request a refund of this additional tax paid after you have left Local Government Super.

## Providing your TFN

It is important that you consider providing your TFN to Local Government Super, either directly or through your employer (if you haven't already done so). You can check your Annual Statement to ensure that your TFN has been recorded.

## Non-disclosure of TFN

If you or your employer have not provided Local Government Super with your TFN by the end of the financial year then:

- In the case of an account opened after 1 July 2007, all of your employer's concessional contributions will be taxed at the top marginal rate, plus the Medicare levy and
- In the case of an account opened on or before 1 July 2007, where your annual contribution exceeds \$1,000, all of your concessional contributions will be taxed at the top marginal tax rate plus the Medicare levy.

In the case of self-employed contributions or other personal contributions, these cannot be accepted without a TFN.

Please note that the information contained in this document is of a general nature only and is not for personal advice and has not taken into account your personal objectives, financial situation or needs. Any advice in this document is provided by FuturePlus Financial Services Pty Ltd (ABN 90 080 972 630) as an Australian Financial Services Licensee (AFSL 238445) on behalf of the Trustee of the Local Government Superannuation Scheme, LGSS Pty Ltd (ABN 68 078 003 497). LGSS Pty Ltd is an APRA Registrable Superannuation Entity Licensee (ABN Pool A - 74 925 979 278 and ABN Pool B - 28 901 371 321). Members should not rely solely on this information and should consider their own personal objectives, financial situation and needs before acting on this information. Prior to making any decision you should obtain and consider the relevant Product Disclosure Statement (PDS) pertaining to your Local Government Super membership. Date issued: 1 March 2009.