

TAX and your Qantas Super income stream

A Qantas Super income stream is a very flexible and tax-effective form of investment that lets you convert your super savings into an account which provides you with a regular income. These types of accounts are called superannuation pensions or superannuation income streams.

This fact sheet is designed to help you understand the tax that is payable on income streams.

Key terms:

Income stream account – is the account established with funds from your super savings, which then provides you with a regular income stream payment. Qantas Super offers two income stream accounts:

- **Division 9** - Flexible Income Account; and
- **Division 14** - Transition to Retirement Account.

Income stream payments – the regular payments you receive from your income stream account. At Qantas Super, these are paid monthly.

Lump sum payments – are withdrawals taken from your income stream account as a single one-off payment, rather than as a regular monthly income stream payment. Lump sum payments are not permitted from a Division 14 – Transition to Retirement Account.

Preservation age – the age at which you can gain access to your preserved super benefits. The preservation age gradually increases from 55 years. Your preservation age depends on when you were born (refer to table on page 3).

Tax at a glance

Super benefits and income stream payments are made up of two components: a tax-free component and a taxable component.

No tax is payable on any tax-free component.

The taxable component will be taxed according to the following table. Qantas Super must withhold tax from the taxable component at the applicable rates, which vary depending on your age at the time of payment.

Type of payment	Tax applied	
Income stream payments	Aged 60 or over	TAX FREE and not assessable
	Preservation age* to age 59	Taxed at your marginal tax rate plus Medicare levy and eligible for a 15% tax offset**
	Under your preservation age*	Taxed at your marginal tax rate plus Medicare levy**
Lump sum payments	Aged 60 or over	TAX FREE and not assessable
	Preservation age* to age 59	Tax free up to \$165,000 [^] then taxed at 15% plus Medicare levy**
	Under your preservation age*	Taxed at 20% plus Medicare levy**
Investment returns	TAX FREE while money remains invested	

*See table on page 3

[^] This amount applies to the 2011/12 financial year and is indexed annually, increasing in line with any upward movement in Average Weekly Ordinary Times Earnings in increments of \$5,000 (rounded down).

** Flood levy may also apply (refer page 3)

Tax on transfer amount

If you transfer your existing Qantas Super balance into a Qantas Super Income Account, you do not pay any tax on this transfer.

Tax on income stream payments

How much you are taxed (if at all) on the money you receive from your income stream account depends on your age and the amount of the benefit being paid.

- **If you are 60 years of age or older** your income will be paid TAX FREE and you will not be required to put any of these amounts into your tax return.
- **If you are under age 60 and have reached your preservation age** your income stream will have two components:
 - **A tax free component**, and
 - **A taxable component**.

All payments will be made pro rata from these components. The taxable component of your income stream payment forms part of your assessable income for that financial year and is taxed at your marginal tax rate plus Medicare levy (a 15% tax offset may apply, which is explained below). For 2011/2012 the Flood Levy may also apply (refer page 3). Qantas Super withholds the PAYG amounts from your income stream payments. We've provided an example of how this is calculated below.

Qantas Super will issue you with a Payment Summary after 30 June each year to assist you with your tax return.

Tax components

Tax free component

The tax free component is generally made up of:

- Your tax free component at 1 July 2007; plus
- Any contributions from your after tax income (also referred to as non-concessional contributions) made since 1 July 2007.

Taxable component

The taxable component is the balance of your account after deducting the tax-free component.

EXAMPLE (For illustrative purposes only)

Peter is aged 56 and has \$400,000 in his super fund. This amount included a tax free component of \$100,000 and a taxable component of \$300,000. Peter uses all of his super account to purchase a Qantas Super income stream on 1 November 2010.

$$\frac{\text{Tax free component}}{\text{Value of income stream}} = \frac{\$100,000}{\$400,000} = 25\%$$

The taxable percentage of Peter's income stream is therefore 75%.

Peter receives a Qantas Super income stream payment of \$2,000 at the end of November 2010.

The tax free component of this payment would be:

$$\$2,000 \times 25\% = \$500 \text{ (no tax is paid on this amount)}$$

The taxable component of Peter's income stream payment would therefore be:

$$\$2,000 - \$500 = \$1,500$$

The taxable component will be taxed at Peter's marginal tax rate plus Medicare levy plus Flood Levy (if applicable). However, it will also attract a 15% tax offset thereby reducing the tax he has to pay.

15% tax offset

You are entitled to a tax offset of up to 15% of the taxable amount of your income stream payments if you are aged between your preservation age and 60 and have provided us with your Tax File Number. Once you turn 60, your income stream payments will be tax free.

Tax on investment earnings

The returns you earn from your investment in a Qantas Super income stream are tax free. This is one advantage your Qantas Super income stream has over other super accounts, approved deposit funds or deferred annuities, which are taxed up to 15% on their investment returns.

Additionally, if you were to invest your money outside the super environment, your investment would be taxed at your marginal tax rate.

Tax on lump sum payments

You can withdraw amounts in addition to your income stream payment from your Qantas Super Flexible Income Account (Division 9) at any time. The withdrawal will again be made up of a tax free component and a taxable component.

The tax that applies is as follows:

- **Age 60 or over** – TAX FREE and not assessable.
- **Preservation age to age 59** – TAX FREE up to \$165,000 (indexed) then taxed at 15% plus Medicare levy plus Flood Levy (if applicable).

Note: You cannot withdraw additional amounts from your Transition to Retirement Account (Division 14).

Any decision to make a withdrawal from your Qantas Super Flexible Income Account will affect how long your income stream payments will continue. The more you withdraw, the less you will have for future income stream payments.

Tax on a death benefit

Please refer to the *Tax on super* Fact Sheet for information relating to how your income stream will be taxed when paid out as a death benefit.

The Flexible Income Account and Centrelink

If you are of age pension age you may be eligible for a Centrelink or Department of Veteran Affairs (DVA) part or full pension. As at the date of this Fact Sheet, men are eligible for the aged pension at 65 and women at 64. By 2023 the age will have increased to 67 for men and women.

Income from the Qantas Super Flexible Income Account is generally treated more favourably than your salary when it comes to Centrelink/DVA income tests. This is because a portion of your income stream payment is considered to be a return of your super and, therefore, is not counted as income. For some people this may mean increased Centrelink/DVA benefits.

A Centrelink Schedule is used by Centrelink to calculate how much of your Qantas Super Flexible Income Account should be assessed under the income and assets tests of the Government Age Pension. For more information, visit Centrelink at www.centrelink.gov.au or call on 13 23 00.

Even \$1 of age pension will mean you will be eligible to the concessions and discounts that come with it. This may include a pensioner concession card, low-income healthcare card and rebates on rates and electricity bills.

To find out if you can adjust your Qantas Super income stream payments to qualify for either a Centrelink or DVA pension, you may also want to talk to a licensed financial adviser.

Preservation age

Your preservation age – depends on when you were born	
When you were born	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
After 30 June 1964	60

Contacting us

You can contact QantasSuper by:

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About the Flood Levy

The Flood levy will apply to all taxpayers who have a taxable income over \$50,000 in the 2011/2012 financial year and will apply to certain payments made by super funds.

Qantas Super must withhold the levy from any of the following payments that we make to you from **1 July 2011 to 30 July 2012**:

- the taxable component of a benefit, if you are under age 60;
- the taxable component of a death benefit paid to non-dependants for tax purposes; and
- the taxable component of any pensions payments if you are under age 60 (Division 9 and 14).

The levy is calculated as follows:

Taxable income/taxable component	Levy
up to \$50,000	nil
\$50,001 to \$100,000	0.5 cents for each dollar over \$50,000
over \$100,000	\$250 plus 1 cent for each dollar over \$100,000

If the Plan pays you a lump sum benefit during 2011/2012, the Flood Levy is payable on the full amount of the taxable component.

Exemptions

No levy is payable by anyone who has received an Australian Government Disaster Recovery Payment in relation to a flood event in 2010/2011. If you wish to claim an exemption from paying the levy, you will need to complete a Flood levy exemption declaration, available from the Australian Taxation Office. It is not compulsory for you to lodge an exemption declaration. You can declare your exemption status when you lodge your 2011/2012 income tax return and the ATO will credit any Flood Levy payments that were withheld during the year. For more information, visit www.ato.gov.au/floodlevy

DISCLAIMER

This fact sheet provides a general explanation as to how tax legislation may apply to QantasSuper and your benefits. It does not take into account any member's individual financial objectives, financial situation or needs. We recommend you obtain professional advice from a licensed financial adviser prior to making any decision based on the information contained in this fact sheet. While all due care and diligence has been taken in the preparation of this fact sheet, the Trustee reserves the right to correct any errors or omissions. If there are any inconsistencies between the terms of QantasSuper trust deed and this fact sheet, the terms of the trust deed will prevail.