

Tax on your Income Account in Gateway

This fact sheet is a summary of how Australian taxation legislation may apply to your Income Account in Qantas Super Gateway.

An Income Account in Gateway lets you convert your super savings into an income stream or streams to provide you with a regular income payment.

The tax rates and amounts specified in this fact sheet are current at the date of preparation. Different rates and amounts may have applied in previous years and the rates and amounts are subject to change in the future.



Tax at a glance

Withdrawals from an Income Account in Gateway 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 table below. 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	Your age	Tax on the taxable component
Income payments (regular payments you receive from your Income Account in Gateway)	Aged 60 or over	Tax free
	Between preservation age ¹ and age 60	Taxed at your marginal tax rate plus Medicare levy ² and eligible for a 15% tax offset
	Under your preservation age ¹	Taxed at your marginal tax rate plus Medicare levy ^{2,3}
Lump sum withdrawals made from your Income Account in Gateway	Aged 60 or over	Tax free
	Between preservation age ¹ and age 60	The first \$200,000 ⁴ (for 2017/2018) of your taxable component is tax free. Amounts of the taxable component above this limit are taxed at up to 17% ⁵ .
	Under your preservation age ¹	The full taxable component is taxed at 22% ⁵
Investment returns	Transition to retirement income streams are taxed at 15% on returns. Allocated pension income streams returns are tax free.	

¹ See preservation age table to the right.

² The Medicare levy is currently 2%.

³ A 15% tax offset may apply if the income payments are as a result of a Permanent Incapacity benefit and two medical practitioners have certified that, because of ill-health, you are unlikely to ever be able to engage in gainful employment again for which you are reasonably qualified through education, experience or training.

⁴ Indexed in line with changes in Average Weekly Ordinary Times Earnings (AWOTE) in increments of \$5,000, and reduced by the taxable components of lump sum amounts previously received from Qantas Super or another fund since reaching preservation age.

⁵ This rate includes the Medicare levy which is currently 2%.

⁶ Some higher income taxpayers and families without qualifying private hospital insurance cover also pay a Medicare levy surcharge. Some taxpayers do not pay Medicare levy or pay it only at a reduced rate.

What's this about?

- Tax may apply to your income account
- Find out when it applies, and when your income is tax-free
- Need help? Call us

Your preservation age

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

Tax on regular income payments

How much you are taxed (if at all) on the regular income payments you receive from your Income Account in Gateway depends on your age and the amount of payments you receive.

- **If you are 60 years of age or older** your income payments are tax free and you are not required to include the income payments in your tax return.
- **If you are under age 60 and have reached your preservation age** your income payments will have two components:
 - A tax free component, and
 - A taxable component.

All payments will be made proportionately from these components.

The taxable component of your income payments form part of your assessable income for the financial year in which the payments were made and is taxed at your marginal tax rate plus Medicare levy^{2,6} (a 15% tax offset may apply, which is explained on the next page). Qantas Super withholds the PAYG tax amounts from your income payments. We've provided an example of how this is calculated on the next page.

If you are under age 60 during a financial year, Qantas Super will issue you with a PAYG Payment Summary after 30 June each year to assist you with your tax return.

If you are under age 60 it is important that you give us your tax file number (TFN). If we do not have your TFN, tax will be deducted from your income payments at the top marginal tax rate plus Medicare levy without reduction for the 15% tax offset. However providing your TFN is not mandatory.



Tax components

Your income payments will be made proportionately from your tax-free and taxable components of your Income Account. Your tax-free and taxable proportions are calculated when your Income Account commences, based on the tax-free and taxable components of the amount used to start your Income Account. (If you have more than one income policy in your Income Account, these components will be calculated separately for each income policy).

Tax free component

The tax free component is generally made up of:

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

Taxable component

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

Example

Peter is aged 58 and has \$400,000 in his super account. This amount includes a tax free component of \$100,000 and a taxable component of \$300,000.

Peter uses all of his super account to commence an Income Account in Gateway.

$$\text{Tax-free portion} = \frac{\text{Tax-free component}}{\text{Total transfer amount}} = \frac{\$100,000}{\$400,000} = 25\%$$

The taxable portion of Peter's Income Account is therefore 75%.

Peter receives a monthly income payment of \$2,000 from his Income Account. The tax-free component of this income payment is: \$2,000 x 25% = \$500 (no tax is paid on this amount)

The taxable component of Peter's income payment is therefore: \$1,500 (\$2,000 - \$500).

The taxable component is taxed at Peter's marginal tax rate plus the Medicare levy. However, Peter is eligible for the 15% tax offset, 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 income payments from your Income Account 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 payments will be tax free.

The tax offset cannot be applied against the Medicare levy.

Tax on investment earnings

Investment earnings from assets supporting Income Accounts in Gateway are tax free. Transition to retirement income streams are taxed at 15% on earnings.

Tax on lump sum withdrawals

You can withdraw lump sum amounts in addition to your regular income payments from your Income Account in Gateway at any time (conditions apply). Any withdrawal is also made up of a tax free component and a taxable component.

The tax that applies is as follows:

- **If you are age 60 or over:** whole amount is tax free.
- **If you are between preservation age and age 60:**
 - Tax-free component: Nil
 - Taxable component: Nil on the first \$200,000¹ and 17%² on the balance.

Any decision to make a lump sum withdrawal from your Income Account will affect the duration of your income payments. The more you withdraw, the less you may have for future income stream payments.

¹ Indexed in line with changes in Average Weekly Ordinary Times Earnings (AWOTE) in increments of \$5,000, and reduced by the taxable components of lump sum amounts previously received from Qantas Super or another fund since reaching preservation age.

² This rate includes the Medicare levy which is currently 2%.

Tax on a death benefit

If you have a valid reversionary beneficiary nomination in place when you die, your reversionary beneficiary will continue receiving regular income payments from Qantas Super unless they elect to receive your death benefit as a lump sum (see below). Tax will generally be withheld from the income payments to the reversionary beneficiary at the rates shown in the table below:

	Tax-free component	Taxable component
Reversionary beneficiary is age 60 or more ³	Nil	Nil
Reversionary beneficiary is less than age 60 ³ but deceased member was age 60 or more at date of death	Nil	Nil
Reversionary beneficiary is less than age 60 ³ , and deceased member was less than age 60 at date of death	Nil	Marginal tax rates less 15% tax offset

³ Age at the time an income payment is made to your reversionary beneficiary.

Death benefit paid as a lump sum

Death benefits paid to dependants (as defined under tax laws) as a lump sum are tax-free. Death benefits paid to a non-dependant (under tax laws) as a lump sum may be subject to tax of up to 32% (including the Medicare levy). Note: An adult child is not a 'dependant' for these tax purposes unless the child is actually dependent on you at the time of your death (e.g. dependent on financial support) or otherwise in an interdependency relationship with you.

Tax will generally be withheld at the rates shown in the table below:

Paid to	Tax-free component	Taxable component
Dependant (for these tax purposes)	Nil	Nil
Non-dependant (for these tax purposes)		15% ¹ tax plus Medicare levy, currently 2% ² .

¹ Tax on a portion of the taxable component paid to a non-dependant may need to be withheld at 32%.

² Some higher income taxpayers and families without qualifying private hospital insurance cover also pay a Medicare levy surcharge. Some taxpayers do not pay Medicare levy or pay it only at a reduced rate.

If some or all of your death benefit is paid to your legal personal representative, the tax payable will depend on who the benefit is ultimately paid to (a dependant or non-dependant under tax laws). The appropriate tax is a matter for your legal personal representative to determine. Qantas Super is not required to withhold tax from lump sums paid to a legal personal representative.

The tax-free and taxable components of a death benefit before adding any anti-detriment payment (described below) are paid proportionately from your account. Any anti-detriment payment is added solely to the taxable component.

Anti-detriment payments

Where a lump-sum benefit is to be paid to certain eligible dependant(s), the Trustee may pay an additional amount known as an 'anti-detriment payment'. This payment is intended to increase the death benefit to what it would have been if contributions tax (of up to 15%) had not been paid on the taxable contributions. An anti-detriment payment is only made where a death benefit is paid to an eligible dependant. From 1 July 2017 Anti-detriment payments have been abolished for individuals who pass away from 1 July 2017 onwards and where a claim has not been paid prior to 30 June 2019.

Centrelink/DVA entitlements

Your Income Account in Gateway is usually taken into consideration when determining the amount of Centrelink/ Department of Veteran Affairs (DVA) Age Pension entitlements you may be entitled to. We recommend you speak to a licensed financial adviser about how an Income Account in Gateway may impact your Centrelink/DVA entitlements.

Contact us

Phone
1300 362 967 (within Australia)
+61 3 8687 1866 (outside Australia)

Fax
+61 3 9245 5827

Postal address
Qantas Superannuation Plan
GPO Box 4303, Melbourne VIC 3001
www.qantassuper.com.au

The information in this document is of a general nature and is not intended to constitute personal financial product advice as it has not been prepared taking account of your objectives, financial situation or needs. In addition, the information contained in this document is generic and may not be applicable to members across all divisions. We recommend that before acting on any information contained in this document, you consider its appropriateness and seek financial advice tailored to your personal circumstances from a licensed financial adviser.

Issued by Qantas Superannuation Limited ABN 47 003 806 960 AFSL 288330
(Trustee, we, our, us) as trustee for the Qantas Superannuation Plan ABN 41 272 198 829
(Qantas Super). April 2018