

Appendix 8

Taxation treatment of superannuation

Introduction

This appendix provides a description of the taxation treatment of superannuation. The material, provided by the ATO, updates the information published in a previous Committee publication, *Super Taxing – an information paper on the taxation of superannuation and related matters*, February 1998.¹

Current thresholds and limits relating to superannuation

In accordance with the *Income Tax Assessment Act 1936* (the Act), *Superannuation Guarantee (Administration) Act 1992* (SGAA), the *Superannuation Contributions Tax Imposition Act 1997* (SCTIA), the *Termination Payments Tax Imposition Act 1997* (TPTIA) and the *Termination Payments Tax (Assessment and Collection) Act 1997* (TPT(AC)A) there are a number of thresholds and limits that require indexation each year by movements in full-time adult Average Weekly Ordinary Time Earnings (AWOTE).

The AWOTE amount is an estimate by the Australian Statistician of the full-time adult average weekly ordinary time earnings for persons in Australia. The estimate for February 2002 was \$860.50 and the estimate for February 2001 was \$810.60. This produces an indexation factor of 1.062.

This factor is applied against the 2001-2002 thresholds and limits. The new thresholds and limits that apply from 1 July 2002 are set out below.

Bona fide redundancy tax free amounts

For the purposes of subsection 27A(20) of the Act, the tax free amounts of a bona fide redundancy payment or of an approved early retirement scheme payment are:

	2002/03	2001/02
Base Limit	\$5,623	\$5,295
Per completed year of service	\$2,812	\$2,648

Source: *Taxation Determination 2002/11*

SG maximum contributions base

For purposes of the SGAA the maximum contribution's base for a contribution period was \$27,510 in 2001/02 and is \$29,220 in 2002/03.

1 *Submission 130, ATO.*

Age based deduction limits

For the purposes of subsections 82AAC(2B) and 82AAT(2B) of the Act, the age based deduction limits for superannuation contributions by employers and eligible persons are:

	2002/03	2001/02
Under age 35	\$12,651	\$11,912
Age 35 to 49	\$35,138	\$33,087
Age 50 and over	\$87,141	\$82,054

Source: *Taxation Determination 2002/11*

Reasonable Benefit Limits

For the purposes of subsection 140ZD(3) of the Act, the RBL limits are:

	2002/03	2001/02
Lump sum RBL	\$562,195	\$529,373
Pension RBL	\$1,124,384	\$1,058,742

Source: *Taxation Determination 2002/11*

Upper limit for tax on lump sum ETP payments

The upper limit for determining the residual amount for the purposes of section 159SG of the Act, i.e., the threshold on the post-June 1983 component of an ETP was \$105,843 in 2002/02 and is \$112,405 in 2002/03.

Surcharge limits

A superannuation contribution surcharge of up to 15% is levied on the surchargeable contributions of a member whose adjusted taxable income exceeds the surcharge threshold. Under section 6 of the TPTIA the surcharge thresholds for the following financial years are:

	2002/03	2001/02
Denominator	\$1,295	\$1,219
Lower threshold limit	\$90,527	\$85,242.
Age 50 and over	\$109,924	\$103,507

Source: *Superannuation Contribution Determination 2002/4*

Surcharge contributions threshold for Pre-7 May 1997 members and TFN not known

Under subsection 6(1) of the SCTIA, the surcharge thresholds for 2002/02 was \$3,248, and the threshold for 2002/03 is \$3,880.

Income taxation of superannuation funds

The rates of tax payable by superannuation funds, RSAs, ADFs and PST are shown below:

Type of fund	Tax rate
Complying superannuation fund assessable income	15%
Complying superannuation fund special income	47%
Non complying superannuation fund	47%
Complying ADF assessable income	15%
Complying ADF special income	47%
Non complying ADF	47%
PST assessable income	15%
PST special income	47%
RSA providers other than life companies	
-standard component of taxable income	30%
-RSA component of taxable income	15%
