

Superannuation Technical Information Booklet

MACQUARIE WRAP

The information contained in this Technical Information Booklet (TIB) should be read in conjunction with the relevant Product Disclosure Statement (PDS) and Investment Menu as together these documents form the PDS for the relevant superannuation product.

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Terminology used in this Technical Information Booklet: Some of the terms used in this Technical Information Booklet have a specific meaning as set out at the back of this document and in the relevant PDS.

Companies named in the TIB, which is incorporated by reference into the PDS for the relevant superannuation product, have given and have not withdrawn their consent to the inclusion of statements by them, or statements based on statements by them, in the PDS in the form and context in which they appear.

In deciding whether to acquire or continue to hold an investment, you should consider the PDS. Applications can only be made on the application form contained in the current PDS.

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MIML is a member of the Financial Services Council (FSC). FSC member companies must comply with standards set by the association, which are primarily designed to inform investors.

Superannuation is a way to save for your retirement. It is a long-term investment. You usually cannot access your super until you have reached your preservation age and retired, but there are some special circumstances where you can withdraw it earlier than this.

This TIB outlines how various superannuation and tax laws affect your superannuation entitlements including your ability to make super contributions, access to benefits, the tax arrangements applying to contributions, the taxation of income earned in superannuation and the taxation of benefits paid from superannuation.

Contributing into superannuation

Payments into superannuation are called contributions. These may be made by you or by others on your behalf.

You must meet eligibility rules before most types of contributions can be accepted into your account. There are also limits on amounts that can be contributed (called contribution caps). There can be significant tax penalties if these caps are exceeded.

Types of contributions and payments

There are several contribution types, depending on who is making the payment and whether the contribution is tax deductible or qualifies under special rules.

Concessional contributions

Concessional contributions are typically:

- employer contributions (including salary sacrifice contributions), or
- personal contributions that you claim as a tax deduction. Refer to the *Claiming tax deductions for your contributions* section in the PDS for further details.

Concessional contributions are subject to an annual contributions cap.

Non-concessional contributions

Non-concessional contributions are generally contributions that are not tax deductible. They include:

- personal contributions that you do not claim as a tax deduction
- contributions made for you by your spouse, and
- certain amounts transferred to your account from a foreign superannuation or pension scheme which are not subject to tax in the superannuation fund (refer to *Amounts you choose to transfer from a foreign superannuation fund* on the following page for further details).

These contributions are subject to an annual contributions cap. However, contributions that are excluded from this cap include Government co-contributions, certain capital gains tax (CGT) exempt small business sale proceeds, personal injury proceeds where certain conditions are met and downsizer contributions.

Co-contributions

If you make personal non-concessional contributions, you may qualify for a Government co-contribution, depending on whether or not your income falls within a maximum limit. Eligibility for a co-contribution is subject to certain requirements, including your income level, age and sources of income. Co-contributions are not subject to a contributions cap and are not taxed in the superannuation fund. For further information about the co-contribution thresholds and rates, refer to the Australian Taxation Office (ATO) website or your financial adviser.

Low income superannuation tax offset

If you are a low income earner, the Government may make a low income superannuation tax offset (LISTO) to your account to compensate for the tax paid on concessional contributions made for you. If payable, the tax offset will be equal to 15 per cent of your concessional contributions up to a maximum of \$500. LISTO is not taxed in the superannuation fund.

For further information about the LISTO, refer to the ATO website or your financial adviser.

CGT-exempt small business sale proceeds

You may be able to contribute some or all of the proceeds arising from the sale of an asset that was used in running a small business.

Contributions may qualify for an exclusion from the non-concessional contributions cap (up to a lifetime limit known as the CGT cap amount) if the sale proceeds qualify for either:

- the small business CGT 15 year exemption, or
- the small business CGT retirement exemption.

For the superannuation fund to record the contribution as being made under the CGT small business concession provisions, you must notify us using the applicable ATO form either before or at the time of making the contribution. We recommend you speak with an adviser if you wish to contribute the sale proceeds from your small business.

Personal injury proceeds

You may contribute amounts from a court approved settlement or court order, or a lump sum workers' compensation payment that arises as a result of your permanent incapacity. Strict timeframes and conditions apply for such a payment to qualify as a personal injury proceeds payment. If the conditions are met, these contributions can be excluded from the non-concessional contributions cap.

Broadly, the amount must be contributed to your account within the latest of 90 days from either the day you received the payment, the day the relevant agreement was entered into, or the day the order was made. Your permanent incapacity must be verified by two medical practitioners, and you must notify us using the applicable ATO form either before or at the time of making the contribution that the contribution is being made under this provision. It is your responsibility to ensure that you meet these conditions. We recommend you consult an adviser when contributing personal injury proceeds.

Downsizer contributions

If you are 65 years old or older you may be able to choose to make a downsizer contribution into your superannuation of up to \$300,000 from the proceeds of selling your home or former home. The following additional eligibility criteria apply to these contributions:

- you, your spouse or former spouse owned the property for at least 10 years
- you owned the property (including partial ownership) and you are eligible for the main residence CGT exemption (either full or partial). If you didn't own the property, you would be entitled to the main residence CGT exemption (either full or partial) if you did own the property
- your property was located in Australia and is not a mobile home (e.g. caravan)
- you make the contribution within 90 days of receiving the proceeds (usually the settlement date), and
- you have not previously made a downsizer contribution from the sale of another property.

In addition, you must provide the superannuation fund with the applicable ATO downsizer contribution form at or before the time of making the contribution. We recommend you speak with an adviser if you wish to contribute the sale proceeds from your property.

Acceptance of superannuation contributions

Before making a contribution, there are rules which must be met, depending on your age and who is making the contribution. Should we become aware that these rules have not been met, the contribution will be returned to the contributor within 30 days and may be adjusted for certain costs to us and for any investment fluctuation.

The table below outlines the age-based requirements that must be met in order for us to accept contributions for you.

Eligibility rules

Your age (when the contribution is made)	Contributor		
	You (personal)	Your spouse or another person (not including your employer)	Your employer
0-64	No test applies	No test applies	No test applies
65-69	Work-related test ^{1, 2}	Work-related test	Mandated: no test applies Non-mandated: work-related test ²
70-74	Work-related test ^{1, 2}	Not eligible	Mandated: no test applies Non-mandated: work-related test ²
75+	Not eligible ^{1, 3}	Not eligible	Mandated: no test applies Non-mandated: not eligible ³

Notes:

- The work-related test requires you to be gainfully employed for at least 40 hours in a period of not more than 30 consecutive days in the financial year in which the contribution is made. If applicable, this test must be met before we can accept a relevant contribution for you.
- Mandated employer contributions are contributions that your employer is required to make on your behalf under Superannuation Guarantee legislation or under an agreement certified, or award made, by an industrial authority.

Once you reach age 65, we require you to send us a written declaration confirming that you are eligible to contribute in a particular financial year before we can accept contributions for you in that year. This age related declaration is not required for downsizer contributions.

- 1 No work-related test is required for downsizer contributions. There is no maximum age for downsizer contributions.
- 2 No work test is required in the financial year following the year an individual retires, provided their total superannuation balance is less than \$300,000 as at 30 June of the previous financial year and they were gainfully employed for at least 40 hours in 30 consecutive days in the year of retirement.
- 3 These contributions can be accepted if they are received within 28 days after the end of the month in which you reached age 75 and you have met the work-related test in the year the contribution is made.

Downsizer contributions are not a non-concessional contribution and will not count towards non-concessional or concessional contributions caps. The downsizer contribution can still be made if your total super balance is \$1.6 million or more.

Amounts you choose to transfer from a foreign superannuation fund

If you hold benefits in a foreign superannuation fund, you may be able to transfer them into your super account, subject to the rules of the foreign scheme and the law applying to the scheme in which your benefits are held. If you are considering transferring benefits from overseas, it will be important for you to obtain professional specialist advice on both the overseas and the Australian tax treatment. Transfers from an overseas scheme are subject to the contribution eligibility rules and are usually treated as non-concessional contributions. For more information, refer to the *Taxation* section.

Superannuation lump sum amounts that are rolled over

You can roll over a superannuation lump sum amount from another Australian superannuation fund, at any age. Rollovers from Australian complying superannuation funds generally do not count towards the contribution caps and are not subject to the eligibility rules applying to contributions that are made from outside the superannuation system.

Contribution limits

Limits on total contributions

For each individual, there is an annual cap on the amount of concessional and non-concessional contributions or other payments that can be paid into the superannuation system during an income year. Once these caps are exceeded, excess contributions tax rates may apply. These caps are described in the table below.

The caps apply to all relevant contributions paid into the superannuation system for you during the course of a financial year, whether those amounts are paid by you, or by someone else (e.g. your employer or spouse) on your behalf and whether they are made to one or more superannuation funds.

It is your responsibility to ensure that you do not exceed these caps. If the total of all relevant contributions made for you to any superannuation fund exceeds the applicable cap for a financial year, you may have an excess contributions tax liability. Refer to the *Taxation* section for further details.

Non-concessional contributions and your total superannuation balance

If your total superannuation balance as at 30 June of the previous income year is \$1.6 million or more, any non-concessional contributions you make will be treated as excess non-concessional contributions.

Catch-up concessional contributions

If you have not used your entire concessional contributions cap in a financial year, you will be able to carry forward the unused portion for a maximum of five years. The unused portion can then be used in a financial year where your total superannuation balance is less than \$500,000 at 30 June of the prior income year. Only unused portions of the cap which accrue on or after 1 July 2018 can be accessed.

Contribution type	Applicable cap			
	2016/17	2017/18	2018/19	2019/20
Concessional contributions (CC)	Annual cap of \$30,000. A higher cap of \$35,000 applied to individuals aged 49 or over on 30 June 2016.	Annual cap of \$25,000.	Annual cap of \$25,000.	Annual cap of \$25,000. ⁴
	Amount in excess of cap is included in assessable income (taxed at marginal tax rates less a 15% offset) and may be withdrawn (net of 15% fund tax). Excess CCs not withdrawn count towards NCC cap.			
Non-concessional contributions (NCC)	Annual cap of \$180,000.	Annual cap of \$100,000. ⁵		
	Individuals under age 65 at any time in a financial year may bring forward up to 2 future years' entitlements by making NCCs in that year of more than the annual cap. ⁶ Where the bring forward arrangements are used, total NCCs made in the 3 year period (starting on 1 July of the first financial year in which NCCs exceeded the annual cap) cannot exceed 3 x the annual cap. From 1 July 2017, the ability to use the bring forward rule is also limited by an individual's total superannuation balance as at 30 June of the previous income year. If this amount is less than \$1,400,000, the limit is three times the annual cap. If this amount is between \$1,400,000 and less than \$1,500,000, the limit is two times the annual cap. If it is between \$1,500,000 and less than \$1,600,000, the bring forward rule does not apply and the annual cap of \$100,000 applies. Where this balance is at least \$1,600,000 all non-concessional contributions will be considered to be excessive.			
	Amount in excess of cap and 85% of associated earnings can be withdrawn from super.			
	Excess NCCs not withdrawn taxed at 49%.	Excess NCCs not withdrawn taxed at 47%.		
Personal injury contributions	No cap applies.			
CGT small business concession contributions ⁷	\$1,415,000 lifetime limit.	\$1,445,000 lifetime limit.	\$1,480,000 lifetime limit.	\$1,515,000 lifetime limit. ⁸
	Amount in excess of CGT cap counts towards NCC cap.			
Downsizer contributions	Not applicable.		\$300,000 lifetime limit.	

4 Cap is indexed annually with Average Weekly Ordinary Time Earnings (AWOTE) and rounded down to the nearest \$2,500.

5 If total superannuation balance is less than \$1.6 million at 30 June of the prior income year.

6 It is important to note that if the member is aged 65 or more at the time they make a contribution, they need to have met the work test in order for the superannuation fund to accept it.

7 Contributions made under the retirement exemption are also subject to a \$500,000 lifetime limit.

8 Cap is indexed annually with AWOTE and rounded down to the nearest \$5,000.

Splitting of contributions

You may be eligible to split your benefits into a superannuation account for your spouse (legal or de facto spouse). The amount of benefits you are able to split is generally limited by reference to the amount of concessional contributions made to your superannuation account during the previous income year.

The maximum amount that can be split is broadly the lesser of:

- 85 per cent of any concessional contributions for the income year, or
- your concessional contributions cap for that income year.

This means that concessional contributions you make in an income year can generally not be split until the following income year. An exception to this rule is if you are closing your account, in which case you may apply to split contributions in the same income year in which they are made.

Split contributions form part of the taxable component in your spouse's superannuation account.

You are able to split contributions a maximum of once per income year, and we are unable to accept or amend a deduction notice for personal deductible contributions after they have been split.

You should discuss the appropriateness of splitting your contributions with an adviser.

Splitting contributions is subject to terms and conditions. Further information is available from your adviser, or the relevant PDS.

Preservation rules

The Government requires you to meet certain conditions before you can access your superannuation as a lump sum or pension.

The access rules for superannuation have changed over time, resulting in different superannuation preservation categories.

Depending on the date and source of contributions or rollovers to your account, you may have one or more of the following categories:

- preserved superannuation benefits
- restricted non-preserved superannuation benefits, and
- unrestricted non-preserved superannuation benefits.

Conditions of release for preserved benefits

You can only access your preserved superannuation benefits (including benefits payable under insurance policies you hold through the superannuation fund) once you have met a condition of release. Some conditions of release have restrictions on the amount you can access, while others (such as retirement) allow unrestricted access.

Retirement or reaching age 65

Once you have reached your preservation age and retired, or you have reached age 65, you may access your superannuation benefits without restriction. You have the option of taking a pension, a lump sum or a combination of both. Generally, you are taken to be retired in the following circumstances:

Your age	When you are considered to be retired
Preservation age or older, but less than age 60	You have ceased an arrangement of gainful employment and have satisfied the Trustee that you intend to never again be employed for 10 hours or more each week.
60 to 64 inclusive	Either: <ul style="list-style-type: none">• you have ceased an arrangement of gainful employment on or after reaching age 60, or• you have ceased an arrangement of gainful employment and the Trustee is reasonably satisfied that you intend to never again be employed for 10 hours or more each week.

Once you reach age 65, there is generally no need to have ceased work in order to access your benefits.

Accessing a pension from preservation age

When you reach your preservation age but have not met one of the other conditions of release, such as retirement, you may elect to take a transition to retirement pension with preserved or restricted non-preserved benefits. Restrictions on withdrawals apply until you meet a full condition of release.

For more information about account-based pensions, please refer to the *Pension payments* section in the PDS.

Accessing your benefits early in special cases

There are a number of conditions of release which may allow you to access your preserved benefits in certain limited circumstances before reaching your preservation age, retiring, or reaching age 65. Under superannuation law, there are strict qualifying criteria that must be met in each of these circumstances, and restrictions can apply on the amount you can withdraw or the form in which you can take your benefits.

Broadly, these conditions of release that are relevant to preserved benefits in the superannuation fund relate to:

- death
- permanent incapacity
- severe financial hardship
- terminal medical condition
- temporary incapacity (for release of disability income/income protection insurance benefits only)
- specified compassionate grounds (where you have applied to the relevant government department and your application has been approved)
- First Home Super Saver Scheme (see below for details).

Before benefits can be paid under any of these conditions of release, you must provide us with specific documentation confirming that you meet the relevant qualifying criteria. Other conditions of release may be available in limited circumstances.

First Home Super Saver Scheme

If you make voluntary contributions (either concessional or non-concessional) to your account, you may be able to release these amounts, plus associated earnings, to help you purchase your first home.

Release of benefits can only occur for those aged 18 or more who have:

- never owned property in Australia, and
- not previously requested to have an amount released under the scheme.

To release your benefits under this scheme, you must apply through the ATO. The ATO will then issue your superannuation fund with a release authority. The superannuation fund must pay the amount to the ATO, who will then pay you, less any applicable tax.

For further information about the scheme, refer to the ATO website or your financial adviser.

Temporary resident members

If you are or have been the holder of a temporary resident visa (and you are not an Australian citizen or permanent resident, or a New Zealand citizen), only certain conditions of release may be available to you from 1 April 2009. The restrictions mean that former temporary resident members will generally only be able to access their benefits under conditions of release that relate to:

- death
- permanent incapacity
- temporary incapacity (for insured benefits only)
- terminal medical condition, or
- permanent departure from Australia (and the temporary resident visa has ceased to be in effect).

Conditions of release that are generally no longer available include reaching preservation age, retirement, reaching age 65, severe financial hardship and release under compassionate grounds. However, a former temporary resident member may still be able to access benefits on or after 1 April 2009 under a condition of release that was met before 1 April 2009.

Restricted and unrestricted non-preserved benefits

Restricted non-preserved amounts may be accessed under the same conditions that apply to preserved benefits. In addition, you may access your restricted non-preserved benefits when you terminate employment with an employer who has contributed to your superannuation account.

Unrestricted non-preserved benefits may be accessed at any time.

Preservation age table

Your preservation age depends on your date of birth.

Date of birth	Preservation age
Before 1 July 1960	55
From 1 July 1960 to 30 June 1961	56
From 1 July 1961 to 30 June 1962	57
From 1 July 1962 to 30 June 1963	58
From 1 July 1963 to 30 June 1964	59
After 30 June 1964	60

Minimum pension payments

Legislation sets out the minimum annual payments that must be paid from an account-based pension each financial year. The minimum annual payment factors are set out in the table below.

These limits are based on your age and your account balance or withdrawal benefit and are calculated when you commence your pension and at 1 July in each subsequent year. Transition to retirement pensions also have a maximum annual payment limit of 10 per cent of the account balance per financial year. For transition to retirement pensions, you can choose to vary your annual payment within the range of 4–10 per cent of the account balance per financial year.

For all other pension accounts, you must receive at least the minimum amount each financial year.

Table of minimum payment factors	
Age of beneficiary	Percentage factor ⁹
Under age 65	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95 or more	14%

Lump sum withdrawals do not count towards the minimum pension requirements.

Where we cannot pay the required minimum amount for a given year, we will commute your pension and transfer your account in-specie from pension to super.

⁹ In the first year, a pro-rata minimum payment generally applies if your pension commences on a day other than 1 July. In subsequent years the minimum payment amount is determined each year by multiplying the account balance by the relevant percentage factor at 1 July.

Transfer balance cap

There are limits on the amount of superannuation you can move into the tax free retirement phase.

There is a cap (called the transfer balance cap) on the amount of superannuation you can move into a retirement phase pension, where the earnings on assets are received tax free. Amounts that exceed the cap (plus an earnings amount) will need to be moved out of the retirement phase and you may be liable for additional tax as a result of exceeding the cap.

These rules are complex and the following is intended as a general guide only. You should seek professional advice tailored to your individual circumstances to determine how these rules impact you.

Transfer balance cap

The transfer balance cap for 2018/19 and 2019/20 is \$1,600,000. It is indexed at the Consumer Price Index each year and rounded down to the nearest \$100,000.

To determine whether you breach the transfer balance cap, the cap is compared to your transfer balance account.

Transfer balance account

When you first commence a retirement phase income stream, such as an account-based pension, a transfer balance account will be established. Generally the commencement value of the income stream will be credited to this transfer balance account on this date.

However, if you had an existing retirement phase income stream on 30 June 2017, your transfer balance cap was established on 1 July 2017 and the value of your pension on 30 June 2017 was credited to your transfer balance account.

The value of your transfer balance account can increase or decrease in a number of ways. The most common of these is shown in the table below. The timing of the credit (increase) or debit (decrease) is generally when the transaction takes place, unless noted differently below.

Where you commence a transition to retirement pension, the value of this pension will not create a credit in your transfer balance account. However, if you subsequently meet one of the following conditions of release: retirement, permanent incapacity, terminal medical condition or reach age 65, your transition to retirement pension will be converted to a retirement phase pension and a credit will arise in your transfer balance account.

Increases or decreases in retirement phase income stream values as a result of investment earnings, pension payments or fees do not impact your transfer balance account.

Exceeding the transfer balance cap

You have an excess transfer balance when your transfer balance account is greater than the transfer balance cap.

Exceeding the cap results in a requirement to remove the amount of the excess and the notional earnings on this amount from a retirement phase pension.

Notional earnings are calculated based on the ATO General Interest Charge and are credited to your transfer balance account on a daily basis until the excess is rectified or the ATO issues an excess transfer balance determination.

Excess transfer balance tax is based on your total notional earnings. Tax is payable at 15 per cent for first time breaches, while subsequent breaches of the cap after the first will result in the notional earnings being taxed at 30 per cent.

Credits (increases)	Debits (decreases)
Value of existing retirement phase income streams, including reversionary pensions held on 30 June 2017. The credit arises on the later of 1 July 2017, and for reversionary pensions 12 months from the date the pension reverted.	Lump sum cash withdrawals from a retirement phase income stream.
Commencement value of new retirement phase income streams from 1 July 2017, including non-reversionary death benefit income streams.	Rollovers from a retirement phase income stream to another superannuation fund.
Reversionary income streams that revert on or after 1 July 2017 are counted towards your transfer balance account 12 months after the date of death of the original account holder. The credit is equal to the value of the account at the date of death.	Transfer of benefits from a retirement phase income stream back to accumulation phase.
Notional earnings on excess transfer balance amounts.	Personal injury contributions when included in the commencement value of a retirement phase income stream.

Taxation

The laws relating to superannuation, including tax laws, can be complex.

This section has been prepared as a general guide only and is not personal or taxation advice. This information has been prepared without taking into account your objectives, financial situation or needs. Therefore, you should consider the appropriateness and relevance of the information, taking into account your specific circumstances.

We recommend that you seek professional tax advice that will consider your individual circumstances. In particular, you should obtain advice concerning tax incentives on contributions, access rules, the tax treatment of payments from superannuation, and how these affect you.

This summary is based on our understanding of Australian tax laws effective as at the date of this TIB. Any of these may change in the future without notice. Further changes in tax laws or their interpretation, or associated administrative practices, could affect the tax treatment of members.

Tax on contributions and rollovers

Concessional contributions

Concessional contributions are generally tax deductible (either to your employer or to you personally). Concessional contributions are taxed in the superannuation fund at the rate of 15 per cent.

An additional tax of 15 per cent applies to certain concessional contributions, that, when added to an individual's taxable income and certain other amounts, exceed a threshold of \$250,000. Contributions affected are broadly those concessional contributions that do not exceed the concessional contributions cap. This tax is levied on the individual, not the superannuation fund. However, all or part of the tax may be withdrawn from the fund (under a release authority).

If you do not quote your tax file number, certain concessional contributions (for example, employer contributions) can be subject to additional tax in the fund, whilst others (for example, personal contributions including those being claimed as a tax deduction) cannot be accepted.

Excess concessional contributions

Excess concessional contributions made from 1 July 2013 are included in the individual's assessable income and taxed at marginal tax rates, less a 15 per cent offset reflecting the tax on the contribution paid by the superannuation fund, plus an interest charge.

Individuals will also have the option of having up to 85 per cent of excess concessional contributions (ie the amount net of superannuation fund tax) refunded.

To the extent an individual chooses not to have their excess concessional contributions refunded, the excess amount will count towards their non-concessional contributions cap.

Non-concessional contributions

Non-concessional contributions are generally not tax deductible and are not taxed in the superannuation fund. In some cases, personal non-concessional contributions may attract a Government co-contribution. If you are a low income earner, your spouse may be eligible for a rebate of up to 18 per cent in respect of non-concessional contributions they make on your behalf (subject to certain conditions).

Excess non-concessional contributions

Individuals have the option of withdrawing from superannuation excess non-concessional contributions made on or after 1 July 2013, plus 85 per cent of an associated earnings amount. The associated earnings will be calculated using an average of the ATO General Interest Charge for each of the four quarters in the financial year the contributions were made. Individuals will be notified of their excess NCCs by a determination issued by the ATO.

If an individual elects to withdraw their excess NCCs, the full amount of the associated earnings will be included in their assessable income for the year and taxed at their marginal rate of tax. However they will be entitled to a 15 per cent offset on this amount.

Any excess contribution not withdrawn will be taxed at the highest marginal tax rate plus Medicare levy.

What tax is payable on earnings?

The following section outlines the tax payable on income earned on your investments in superannuation.

Tax treatment of income earned on assets

Superannuation assets

The table below generally describes the taxation of income and capital gains on assets held in your super account and transition to retirement pensions not in the retirement phase.

Point of tax	Rate of tax
Investment earnings	15%
Realised capital gains	
• held for 12 months or less	15%
• held for longer than 12 months	10% ¹⁰

Pension assets

The table below generally describes the taxation of income and capital gains on assets held in your pension account (excluding transition to retirement pensions not in the retirement phase).

Point of tax	Rate of tax
Investment earnings	Nil
Realised capital gains	
• held for 12 months or less	Nil
• held for longer than 12 months	Nil

Tax treatment of benefit payments

Benefits paid after turning 60

If you are aged 60 or more, superannuation benefits (including lump sums or pension payments) that you receive from the superannuation fund are tax-free.

Benefits paid before turning 60

If you are under 60, the tax treatment depends on your age and on the benefit's tax components.

Lump sum and pension payments from superannuation are generally made up of two components, tax-free and taxable.

Whenever you withdraw or roll over a lump sum from your superannuation account, the tax components of the lump sum will be determined under the proportioning rule based on the tax-free and taxable components of your account at the time of payment.

When you commence a pension, the payments from your pension account (including pension payments and lump sums) are paid in proportion to the tax-free and taxable components at the time the pension commenced.

Generally, any payments made from a pension account will be treated as a pension payment unless you specify otherwise. Subject to certain conditions, you may elect for payments from your pension to be treated as a lump sum payment using the *Withdrawal* form.

The general tax treatment of lump sum benefits paid to you is summarised in the table below.

Tax treatment of lump sum withdrawals and pension payments

Taxpayer's age	Tax-free component	Taxable component (element taxed)
Under preservation age		
Lump sum	Tax-free	22% ¹¹
Income stream (pension payment)	Tax-free	Marginal tax rate plus Medicare levy ¹²
Preservation age to age 59 (inclusive)		
Lump sum	Tax-free	Amount up to low rate cap (\$210,000 in 2019/20) – 0% Amounts over low rate cap – 17% ¹¹
Income stream (pension payment)	Tax-free	Marginal tax rate plus Medicare levy less 15% tax offset
Age 60+		
Lump sum	Tax-free	Tax-free
Income stream (pension payment)	Tax-free	Tax-free

In some cases, superannuation benefits are taxed under special arrangements. For example, a benefit that qualifies as a disability superannuation benefit may qualify for additional tax concessions. Lump sums paid to you because of a terminal medical condition are tax-free in certain circumstances. If you are a temporary resident and you withdraw a lump sum following your permanent departure from Australia, special (higher) tax rates apply. An income stream that you receive from the superannuation fund under a disability income insurance policy will generally be taxed as ordinary income at your marginal rate.

¹⁰ This is the net effective tax rate taking into account the 33 ¹/₃ per cent CGT discount available on such gains.

¹¹ This rate includes the Medicare levy of 2 per cent.

¹² A pension that qualifies as a disability superannuation benefit is taxed at the recipient's marginal tax rate (plus Medicare levy) less a 15 per cent tax offset.

Tax treatment of death benefits

Special tax treatment applies to lump sum and pension payments made as a result of your death. The actual tax payable can depend on who receives the benefit (whether they are a dependant or not) and whether it is paid to that person as a lump sum or a pension payment.

For tax purposes, the definition of dependant includes:

- your spouse or former spouse
- your child (under age 18)
- a person with whom you had an interdependency relationship just before you died (refer to the *Terminology used* section for further details), and
- a person who was otherwise your dependant just before you died. Typically, this would be someone who was financially dependent on you just before you died.

Rollover of death benefit pensions

If you are the recipient of a death benefit pension, you will have the ability to transfer the death benefit pension to another superannuation fund. The transferred benefit will either need to be used to commence a death benefit pension or pay a lump sum death benefit.

Death benefit pensions cannot be combined with your ordinary member benefits.

Death benefit lump sums

Death benefits paid as a lump sum to a dependant are tax free. Death benefit lump sums paid to a non-dependant will generally be taxed but at concessional rates.¹³

The tax arrangements applying to lump sum death benefits that are paid to your estate will depend on whether or not the beneficiaries of the estate who have benefited, or are expected to benefit, from the death benefit are dependants. To the extent that the beneficiaries are dependants, the benefit will be tax-free. Your legal personal representative will generally be required to pay tax on the death benefit to the extent that the beneficiaries, or expected beneficiaries, are non-dependants.

Tax treatment of benefits rolled over to another complying super fund

If you roll over part or all of your account balance to another complying super fund, we will not be required to withhold any tax in respect of that payment. If your account includes a UK transfer amount, we may be required to report a rollover amount to HMRC. Some payments may result in a UK tax liability direct to you. The regulation of UK transfer amounts can be complex and we recommend you consult with an adviser.

¹³ In certain circumstances, an individual who is not otherwise a dependant for tax purposes will be treated as a tax dependant if they receive a death benefit lump sum in relation to a person who died in the line of duty as either a member of the defence force, a member of the Australian Federal Police, a member of a State or Territory Police Force or a protective service officer.

Superannuation and family law

Superannuation law and family law facilitate the splitting of superannuation interests between parties to a marriage in the event of a breakdown of marriage.

The laws deal with the valuation of superannuation interests and splitting interests between parties as a result of an agreement or as a result of a court order, and also provides for accounts to be on 'hold' status until certain issues are resolved between the parties.

From 1 March 2009, the federal family law regime was extended to apply to certain opposite-sex and same-sex de facto couples, including facilitating financial agreements and superannuation splitting on the breakdown of such relationships.

The Trustee may create a separate interest in the superannuation fund for the non-member spouse, or transfer the non-member's entitlements to the Super Safeguard Eligible Rollover Fund, in line with the provisions of the *Superannuation Industry (Supervision) Act 1993* (Cth). In accordance with the law, we may charge an administration fee in relation to such arrangements.

Terminology used

Some of the terms used within this TIB (or other documents that form part of the PDS) have a specific meaning as set out below. Depending upon the Macquarie super and/or pension product you hold some of the terminology below may not be relevant to your account.

Account, Super product, Pension product, Super account, Pension account	The relevant Macquarie super or pension product (as applicable to you).
Adviser	The licensed financial planner or financial planning business who you have nominated as your adviser and who is registered to use the relevant superannuation product.
Application form	The form contained within the PDS that you must complete, sign and return to us before opening your superannuation account. The application form is the contract between you and the Trustee in respect of your superannuation account.
APRA	Australian Prudential Regulation Authority.
ATO	Australian Taxation Office.
Australian listed securities	Listed securities or other listed investments which are available on the ASX or such other exchanges as are approved from time to time and which have been subject to our menu selection process.
Australian Securities Exchange, ASX	Australia's primary securities exchange or market which facilitates trading in a range of financial instruments.
Authorised Broker	The Macquarie Group entity that is authorised from time to time to provide brokerage services for the Fund.
Available cash	The amount of cash accessible in the Cash Hub or Cash Account (as relevant) for transacting and redemptions, after taking into account outstanding orders, fees and the minimum cash requirement.
Business Day	A day, in Sydney, that is not <ul style="list-style-type: none"> a Saturday or Sunday a public, bank or special holiday, or 27 to 31 December inclusive.
Child	For super and tax law purposes, a child of a person includes: <ul style="list-style-type: none"> an adopted child, a stepchild or an ex nuptial child of the person a child of the person's spouse, and someone who is a child of the person within the meaning of the <i>Family Law Act 1975</i> (Cth).
Client, you or your	The person named in the application form accepted by us and includes successors, executors, administrators, substitutes and assigns of such person.
Commutation authority	An authority issued by the ATO requiring a super fund to withdraw funds in a pension due to a breach of the transfer balance cap. The amount to be released will be the excess amount over the individual's transfer balance cap, plus associated earnings.
Compassionate grounds	A condition of release for preserved and restricted non-preserved superannuation benefits. In limited circumstances, you may apply to the relevant government department to have your benefits released as a lump sum to pay for certain expenses relating to: <ul style="list-style-type: none"> medical treatment for you or your dependants preventing foreclosure of a mortgage or power of sale over your home modifying your home or vehicle to accommodate special needs arising from a severe disability palliative care expenses expenses associated with your dependant's palliative care, death, burial or funeral. Benefits paid under this condition of release are limited to an amount determined by the relevant government department.

Concessional contributions	Generally contributions that your employer makes, or that you make personally and claim as a tax deduction. These are generally included in the assessable income of the Fund and taxed at 15 per cent. There is an annual limit on the amount of concessional contributions you can make, known as the concessional contributions cap. Certain concessional contributions for higher income earners are taxed at an additional 15 per cent. The additional 15 per cent does not apply to concessional contributions that exceed the concessional contributions cap.
Concessional contributions cap	For the 2019/20 income year the annual concessional contribution cap is \$25,000. From 2019/20, the concessional contributions cap is increased where your total superannuation balance is less than \$500,000 at 30 June of the prior financial year and you have unused concessional contributions from any or all of the prior five financial years (starting from 2018/19).
Condition of release	A condition you must meet before you can access your preserved and restricted non-preserved benefits. The conditions of release are set down in superannuation legislation. Examples are retirement, reaching preservation age, reaching age 65 and permanent incapacity. Some conditions of release have restrictions on the amount of, or form in which, you can take your benefits while others (such as retirement) allow unrestricted access.
Custodian, BSCL	Bond Street Custodians Limited ABN 57 008 607 065 AFSL 237489.
Dealer, Dealer group	The legal entity or organisation that your adviser represents in the provision of financial product advice to you.
Disability superannuation benefit	A superannuation benefit that is paid to a person because he or she suffers from ill health (whether physical or mental); and two legally qualified medical practitioners have certified that, because of the ill health, it is unlikely that the person can ever be gainfully employed in a capacity for which he or she is reasonably qualified because of education, experience or training. These benefits can qualify for additional tax concessions.
Eligible Insurance	The insurance options you and/or your adviser may select from the Investment Menu made available by the Trustee.
Eligible Investments	The investment options you and/or your adviser may select from the Investment Menu made available by the Trustee.
Excess concessional contributions	Concessional contributions in excess of the concessional contributions cap. These contributions may be subject to additional tax.
Excess non-concessional contributions	Non-concessional contributions in excess of the non-concessional contributions cap. These contributions may be subject to additional tax.
Fund	The Macquarie Superannuation Plan (ABN 65 508 799 106), within which the Macquarie Super and Pension Consolidator, Macquarie Super and Pension Manager and Macquarie Super Accumulator are one of several products.
HMRC	Her Majesty's Revenues and Customs Office.
Illiquid investments	Broadly, an investment in relation to your interest in the Fund is an 'illiquid' investment if: <ul style="list-style-type: none"> it is of a nature whereby it cannot be converted to cash in less than the time required to roll over or transfer a withdrawal benefit (typically 30 days) or it can be converted to cash within the relevant time period, but converting it to cash within this period would be likely to have a significant adverse impact on the realisable value of the investment.
Interdependency relationships	Two people will typically have an interdependency relationship if: <ul style="list-style-type: none"> they have a close personal relationship, and they live together, and one or each of them provides the other with financial support, and one or each of them provides the other with domestic and personal care. If two people have a close personal relationship but do not satisfy the other conditions referred to above because either or both of them suffer from a physical, intellectual or psychiatric disability, they may nevertheless have an interdependency relationship.
Investment Menu	The Investment Menu is incorporated by reference into the relevant PDS and outlines all Eligible Investments and Eligible Insurance made available by the Trustee as investment and insurance options you and/or your adviser may select.
Low rate cap amount	The concessional tax threshold applying to the taxable component of lump sum superannuation benefits paid to individuals who have reached their preservation age but are under the age of 60. The low rate cap is a lifetime limit. The 2019/20 amount is \$210,000.
Macquarie Bank, MBL	Macquarie Bank Limited ABN 46 008 583 542 AFSL 237502.
Macquarie Wrap	A business unit of the Macquarie Group that provides a wrap platform through which your account is administered.

Mandated employer contributions	Compulsory contributions made by your employer, based either upon Superannuation Guarantee requirements or workplace awards or agreements.
Nominated broker	Any broker that you authorise to deal with the Fund in respect of the settlement of your Australian listed securities transactions.
Non-concessional contributions, NCCs	Generally contributions made by an individual for which no tax deduction is claimed and therefore are not included in the assessable income of the Fund. There is an annual limit on the amount of non-concessional contributions you can make, known as the non-concessional contributions cap.
Non-concessional contributions cap	<p>The annual limit on the amount of non-concessional contributions made for you. The non-concessional contributions cap is four times the standard concessional cap (ie four times \$25,000 for 2019/20).</p> <p>If you are under 65 at any time in a financial year, you may 'bring forward' up to two future years' contribution entitlements so as to contribute a maximum of three times the annual non-concessional contributions cap for a three year period. If your total superannuation balance as at 30 June of the previous financial year is between \$1.4 million and under \$1.6 million, the amount you can contribute under the 'bring forward' rule is restricted. For balances between \$1.4 million and under \$1.5 million, you can 'bring forward' one future years' contribution entitlement. If your balance is at least \$1.5 million and under \$1.6 million, you are not eligible to use the 'bring forward' rule.</p>
Permanent incapacity	<p>A condition of release for preserved and restricted non-preserved superannuation benefits. For you to qualify under this condition, the Trustee must be reasonably satisfied that because of your ill health (whether physical or mental), you are unlikely to engage in gainful employment for which you are reasonably qualified by education, training or experience. You must provide the Trustee with specific documentation confirming your permanent incapacity.</p> <p>If you qualify, your benefits may be accessed as a pension, a lump sum or a combination of both. Certain tax concessions may apply if the benefit meets the definition of a disability superannuation benefit.</p>
Proportioning rule	<p>The rule requiring the tax components to be paid in proportion to the components of your superannuation interest in the Fund. In the case of a lump sum or rollover, the components will be determined in proportion to the tax-free and taxable components of your superannuation interest in the Fund at the time of payment. You are generally unable to open more than one account so, for this purpose, your superannuation interest is your account.</p> <p>In the case of a pension, the payments from your account (including pension payments and lump sums) are paid in proportion to the tax-free and taxable components in the account at the time the pension commenced.</p>
Release authorities	An authority issued by the Australian Tax Office (ATO) permitting a super fund to 'release' funds in order to pay excess contributions tax, excess contributions or other amounts permitted by the ATO.
Retirement phase income stream	<p>An income stream that counts towards the individual's transfer balance account. Includes account-based pensions and transition to retirement pensions where certain conditions of release (including the retirement, permanent incapacity, terminal medical condition and reaching age 65 conditions of release) have been met.</p> <p>Investment earnings that relate to a retirement phase income stream are exempt from tax.</p>
Separately Managed Account, SMA	A type of managed investment scheme that is not unitised and allows you and/or your adviser to access a portfolio of investments professionally managed according to a defined investment strategy.
Severe financial hardship	A condition of release for preserved and restricted non-preserved superannuation benefits under which you can access part of your benefits as a lump sum if you suffer severe financial hardship. To be eligible for release of benefits on the grounds of severe financial hardship, you must have been in receipt of Commonwealth income support for a minimum period and, depending on your age, must also be able to satisfy the Trustee of your fund that you are unable to meet reasonable and immediate family living expenses. You must provide the Trustee with specific documentation confirming that you meet these requirements.
Spouse	<p>For the purposes of super and taxation law, the spouse of a person includes:</p> <ul style="list-style-type: none"> • another person who is legally married to the person • another person (whether of the same sex or a different sex) with whom the person is in a prescribed kind of relationship that is registered under a State or Territory law prescribed for the purposes of the <i>Acts Interpretation Act 1901</i>(Cth), and • another person who, although not legally married to the person, lives with the person on a genuine domestic basis in a relationship as a couple.
Superannuation lump sum	Payments from superannuation entities other than income stream benefits.
Taxable component	The amount equal to the balance of your superannuation interest or pension account that is not the tax-free component.

Tax-free component	<p>The tax-free component of your superannuation interest is broadly, the total of a 'contributions segment' and a 'crystallised segment'. The 'contributions segment' is broadly equal to the tax-free contributions (or rolled over amount) received after 30 June 2007 in relation to that interest. The 'crystallised segment' is based on the withdrawal value of your interest as at 30 June 2007, less the amount of the post-June 83 component if it had been paid as a lump sum on that date.</p> <p>The tax-free component of payments from a pension account is determined as a fixed proportion at the time the pension commenced.</p>
Technical Information Booklet, TIB	The Technical Information Booklet (TIB), incorporated by reference into the relevant PDS (Document number MAQST01), contains general technical information to help you understand your superannuation.
Temporary incapacity	A condition of release for preserved superannuation benefits. To qualify under this condition, you must suffer from ill health (whether physical or mental) that caused you to cease to be gainfully employed but does not constitute permanent incapacity. Only disability income/income protection insurance benefits can be accessed under this condition of release. Benefits can only be paid as a particular form of income stream.
Temporary resident permanently departing Australia	<p>A temporary resident of Australia (excluding New Zealand citizens) who leaves permanently can apply to the Trustee, or, if the benefit has been transferred to the ATO, the ATO, to have their benefits released as a lump sum. For ATO applications, a temporary resident may apply online via the ATO website, or they can lodge a paper-based application (with supporting documentation where required). There are special tax rates applying to Departing Australia Superannuation Payments. Any payment received will be net of any applicable tax.</p> <p>Temporary residents who do not claim their benefits within six months will have their benefits transferred to the ATO. Any benefits held by the ATO will not earn interest and it would be best to claim any benefits quickly to avoid the erosion of its value.</p>
Total superannuation balance	<p>The total of an individual's:</p> <ul style="list-style-type: none"> • accumulation phase interests (including transition to retirement pensions not in the retirement phase), • transfer balance account modified to reflect: <ul style="list-style-type: none"> – the current value of account-based income streams – disregarded amounts related to personal injury contributions, and • rollovers in progress.
Terminal medical condition	A condition of release for preserved and restricted non-preserved superannuation benefits. Under this condition of release, if you are suffering from a terminal illness, you may be able to access your benefits as a tax-free lump sum. For you to qualify, two registered medical practitioners must have certified that you suffer from an illness or have incurred an injury that is likely to result in your death within a period (the certification period) of 24 months from certification. One of these medical practitioners must be a specialist practising in an area related to your condition. In addition, for each medical certificate, the certification period must not have ended. You must provide the Trustee with specific documentation confirming your medical condition.
Transfer balance cap	A limit on the amount that can be transferred to a retirement phase income stream(s). Where a transfer balance cap is exceeded, the individual may incur a tax liability. For the 2019/20 income year the general transfer balance cap is \$1,600,000.
Trustee, MIML, we, us, our	Macquarie Investment Management Limited ABN 66 002 867 003 AFSL 237492 RSEL L0001281.

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To contact Macquarie, Financial advisers please call 1800 025 063.

Existing investors, where you have an adviser, they should be your main point of contact for your account, so if you have any queries about your superannuation account, please talk to your financial adviser.

Macquarie can also be contacted at Macquarie Wrap GPO Box 4045 Sydney NSW 2001 or by visiting the Online Client Portal at macquarie.com/personal