how super is taxed

19 April 2025

The information in this document forms part of the following Product Disclosure Statements:

- HESTA Product Disclosure Statement issued 19 April 2025
- HESTA Personal Super Product Disclosure Statement issued 19 April 2025
- HESTA Corporate Super Product Disclosure Statement issued 19 April 2025

Important

The information in this document relates to how super is taxed in the 2024/25 financial year.

Understanding how taxes work will help you build your super

Tax on contributions to a super fund

The rate of tax on super contributions depends on the type of contribution being made, the amount of contributions made in the financial year, and the amount of your total income.

Before we get started, here are some handy definitions:

After-tax income – your take-home pay. That is the money you see deposited in your bank account when you get paid, and tax has already been taken out.

Before-tax income – your total salary, before your employer takes out tax.

After-tax contributions

Contributions made from your take-home pay (also called non-concessional contributions) include personal contributions and spouse contributions. Generally, they are not taxed when deposited into your super fund, as you've already paid income tax on this money.

There is a limit (called a non-concessional contribution cap) of $120,000 p.a. for people under age 75. Eligible individuals may 'bring forward' some future years contributions cap and make a larger contribution. Eligibility to 'bring forward' will depend on your age and total super balance. Go to **ato.gov.au/super** to see if you're eligible. If immediately before the start of the financial year, your total super balance (across all your super funds) is $1.9m or more, your non-concessional contribution cap is nil ($0). Any after-tax contributions made over the non-concessional contribution cap will be taxed at the highest marginal tax rate.

You can withdraw excess after-tax contributions above the cap along with 85% of any associated earnings, however, the associated earnings will be included in your assessable income and taxed at your marginal tax rate, including the Medicare Levy.

The annual cap is indexed in line with Consumer Price Index (CPI). You should seek financial advice before you contribute any after-tax earnings to your super as there may be tax consequences.

Before-tax contributions

Also called concessional contributions, before-tax contributions include employer contributions and salary sacrifice amounts. These amounts are called before-tax contributions as no tax (e.g. income tax) has been levied on the amounts before they are paid to your account. Where your employer pays for your insurance, the amount will be treated as a concessional contribution and go towards your contributions cap.

If your adjusted taxable income (including certain concessional contributions) for a financial year is greater than $250,000, your concessional contributions may be subject to an additional 15% tax, effectively meaning you pay up to 30% tax on those concessional contributions. The amount of concessional contributions subject to the additional tax will be equal to the excess over the threshold or the total concessional contributions, whichever is lower. For further information about this additional tax see **ato.gov.au/individuals-and-families**.

There is a limit (called a concessional contribution cap) of $30,000 p.a. regardless of your age.

If your total super balance is less than $500,000, you will be able to carry forward any unused concessional contributions on a rolling basis, for up to five years, provided you satisfy all requirements.

Excess before-tax or concessional contributions are included in your assessable income for the corresponding financial year and taxed at your marginal tax rate. You can withdraw up to 85% of your excess concessional contributions to pay your income tax liability.

Benefits of contributions

- The rate at which before-tax contributions are taxed may be lower than your income tax rate.
- Personal after-tax contributions may also attract the government super co-contribution. For more information, see *How super works* at **hesta.com.au/pds.**
- Spouse contributions may be eligible for the spouse contribution tax offset.
- You may be able to claim a tax deduction on personal contributions. For example, if you are self-employed or your employer does not allow salary sacrificing. For details, call us on 1800 813 327.

To learn more about the benefits of extra super contributions, see *How super works* at **hesta.com.au/pds**

Use the calculators to see how contributions could work for you at **hesta.com.au/calculator**

Excess contributions

The contribution caps are applied per person, not per fund, which means contributions made to other funds are included in the cap. Excess concessional contributions will also count towards your non-concessional contribution cap if not withdrawn.

Super funds are required to report all contributions to the Australian Tax Office (ATO), and the ATO determines whether you have exceeded a contribution cap. A person age 75 and over is ineligible for non-concessional contributions. For more information see *How super works* at **hesta.com.au/pds**..

Tax on earnings in super

Investment earnings in super are taxed at a maximum rate of 15%. The final tax rate may be less than 15% after tax concessions, offsets and credits are applied. The tax is deducted from investment earnings before unit prices are calculated.

The tax rate on investment earnings in super may be lower than the tax rate on your investment earnings outside of super (including interest on money in a bank account), which would be at your income tax rate.

Tax file number (TFN)

It's beneficial to provide your TFN to your super fund. If you don't, concessional contributions into your super and benefit payments from your super may be taxed at the highest marginal tax rate. Your fund will also not be able to accept after-tax contributions.

Tax on lump-sum payments from super

Payments from your super account have a tax-free and a taxable component. Withdrawals are taken proportionally from the tax-free component and the taxable component, based on how much is in each component. You cannot choose to have a partial withdrawal from one particular component.

Tax-free component

The tax-free component of your super is generally made up of your non-concessional contributions plus any crystallised tax-free amounts as at 30 June 2007. If your super is released due to permanent incapacity, the tax-free component will be increased if you are under age 65. No tax is payable on the tax-free component.

For more information about crystallised amounts or permanent incapacity payments, call us on 1800 813 327.

Taxable component

The taxable component is the total of your benefit less the tax-free component. The rate of tax on the taxable component (see table on page 3) depends on how your super is being paid out.

1. **Retirement payments** – there are different tax rates for lump-sum payments depending on your age and the amount. There is no tax on payments if you are over 60.
2. **Rollover between super funds** – there is no tax payable if you transfer money from one super fund to another, if both funds are based in Australia. The only exception is where the amount transferred contains an untaxed element, which may occur when transferring benefits from certain public sector super funds.
3. **Departing Australia Superannuation Payments (DASP)** – if you're a temporary resident who has departed Australia, a different tax rate will apply.
4. **Terminal illness payments** – if your super is released due to terminal illness, there is no tax on payments.
5. **Death benefit payments** – tax on death benefits depends on whether the benefit is paid to a dependant or a non-dependant. The taxable component of a death benefit may include an untaxed element.

Taxable component of a lump-sum payment from HESTA[1]	Tax rate[2]
1. Retirement payments	
• Paid before preservation age - Taxed element	22%
• Paid before preservation age - Untaxed element	32% (up to $1.780m) 47% (over $1.780m)
• Paid at or above preservation age but before age 60 - Taxed element	0% (up to $245,000) 17% (over $245,000)
• Paid at or above preservation age but before age 60 - Untaxed element	17% (up to $245,000) 32% (over $245,000) 47% (over $1.780m)
• Paid after age 60 - Taxed element	0%
• Paid after age 60 - Untaxed element	17% (up to $1.780m) 47% (over $1.780m)
2. Rollover between super funds	
• Taxed element	0%
• Untaxed element	0% (up to $1.780m) 47% (over $1.780m)
3. Departing Australia Superannuation Payments (DASP)	
• Taxed element	35%
• Untaxed element	45%
4. DASP For Working Holiday Makers[3]	65%
5. Terminal illness payments	0%
6. Death benefit payments	
• Paid to a dependant[4]	0%
• Paid to a non-dependant - Taxed element	17%
• Paid to a non-dependant - Untaxed element	32%

1 Refer to Tax on lump sum payments from Super for more information.

2 Tax rates include Medicare levy of 2%.

3 The 65% rate will apply to your total DASP amount, including any super you may have earned while working under a different visa.

4 A dependant for tax purposes includes a spouse or de facto, a former spouse or de facto, a child (under 18), any other person financially dependent on you at the time of death, or any person with whom you have an interdependent relationship. Unless they meet these criteria, your nominated beneficiaries may not be classified as dependants for tax purposes.

How can we help?

One of the benefits of your HESTA membership is access to super advice.

The rules regarding tax and super are complex. How these rules will affect you will depend on your individual circumstances.

To make an appointment, visit **hesta.com.au/advice** or call 1800 813 327.

contact us

hesta@hesta.com.au | 1800 813 327 | Locked Bag 35007 Collins St West VIC 8007 | hesta.com.au

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