

June update – Budget 2006

# ‘Better super’ – what will this mean for you?

The 2006 Budget proposals will soon become law, and will take effect from 1 July 2007. We have summarised the changes to help you understand the Government’s ‘better super’ initiatives that may affect your superannuation benefits.

‘Better super’ means changes to rules around:

- tax file numbers
- contributions
- lump sum and pension payments
- death benefit payments
- taxation of contributions and benefits, and
- social security.

There are also new terms that have a specific meaning under the new ‘better super’ rules which are in **bold** and summarised in this flyer.

**You should talk with your financial adviser to discuss how these changes may affect your super.**

## Tax file numbers (TFN)

- If your TFN is not held by your super fund, you will pay additional TFN tax on taxable contributions (including SG, employer and salary sacrifice).
- Funds may be required to refund other contributions if your TFN is not held.
- There are new rules about when employers must pass on your TFN to your super fund.

	Before 1 July 2007	From 1 July 2007
<b>Providing your Tax File Number (TFN) to your super fund</b>	<p>We can collect your TFN for legal purposes. It is not compulsory to provide us with your TFN, however if you do not:</p> <ul style="list-style-type: none"> <li>→ more tax may be payable on your super benefits on withdrawal, and</li> <li>→ it may become difficult to locate or combine your super benefits in the future.</li> </ul>	<p>It is still not compulsory to provide us with your TFN. However if you do not, we may be required to deduct additional TFN tax of 31.5% from your taxable super contributions (in addition to the 15% already payable). Taxable super contributions include:</p> <ul style="list-style-type: none"> <li>→ <b>concessional contributions</b></li> <li>→ <b>taxable component</b> of a directed termination payment (<b>DTP</b>), and</li> <li>→ some superannuation benefits rolled over from a public sector fund.</li> </ul> <p>If you are an existing investor as at 1 July 2007, you will only be charged this TFN tax on your taxable super contributions if they exceed \$1,000 in a financial year. If TFN tax has been deducted from your contributions, you can quote your TFN to us within the following three financial years, for a refund. You should consider this before leaving the fund.</p> <p>If you do not provide your TFN within 30 days of making any other type of contribution, we will be required to refund the contributions to you less taxes, fees, costs and insurance premiums, and reduced or increased for market movements. These other types of contributions include:</p> <ul style="list-style-type: none"> <li>→ <b>non-concessional contributions</b></li> <li>→ self-employed or personal deductible contributions</li> <li>→ <b>CGT contributions</b></li> <li>→ <b>DTPs</b>, and</li> <li>→ <b>personal injury contributions.</b></li> </ul>
<b>When does your TFN exemption apply?</b>	<p>If you quote your TFN exemption to us, we will not be required to withhold additional PAYG tax from your lump sum or pension payments.</p>	<p>Your TFN exemption remains valid for PAYG withholding purposes. From 1 July 2007, no tax will be withheld from your lump sum or pension payments from age 60. However, even if you have a TFN exemption, TFN tax will be deducted from your contributions.</p>

## When can I contribute money to super?

There are changes to when we can accept your contributions. These changes apply from 1 July 2007 and are summarised in the table below. The symbol ✓ indicates if you are eligible to make this type of contribution or rollover, although some conditions may apply.

	Under age 65*	Age 65 to 69	Age 70 to 74*	Age 75 and over
<b>Superannuation rollovers</b>				
→ Superannuation benefits transferred or rolled over from other superannuation funds	✓	✓	✓	✓
<b>Deductible (before tax) contributions, from 1 July known as concessional contributions</b>				
→ Superannuation guarantee (SG) contributions including SG shortfall amounts	✓	✓	✗	✗
→ Industrial award, certified agreement and AWA contributions	✓	✓	✓	✓
→ Additional employer contributions	✓	✓	✓	✗
→ Salary sacrifice contributions		Work test	Work test	28 day rule
→ Self-employed or personal deductible contributions	✓ TFN	✓ TFN/Work test	✓ TFN/Work test	✗ 28 day rule
<b>Undeducted (after tax) contributions, from 1 July known as non-concessional contributions</b>				
→ Personal or member contributions (no tax deduction has been claimed)	✓ TFN/\$450K limit	✓ TFN/\$150K limit/ Work test	✓ TFN/\$150K limit/ Work test	✗ 28 day rule
→ Spouse contribution	✓ TFN/\$450K limit	✓ TFN/\$150K limit/ Work test	✗	✗
<b>Other CGT contributions, employer termination payments and personal injury contributions</b>				
→ CGT-exempt amount, now known as a CGT contribution	✓ TFN	✓ TFN/Work test	✓ TFN/Work test	✗ 28 day rule
→ Employer eligible termination payments (ETPs), now known as directed termination payments (DTPs)	✓ TFN	✓ TFN/Work test	✓ TFN/Work test	✗ 28 day rule
→ Personal injury contributions	✓ TFN	✓ TFN/Work test	✓ TFN/Work test	✗ 28 day rule

\* If you were age 64 or 74 between 10 May 2006 and 5 September 2006, transitional work tests may apply to you for contributions made before 1 July 2007.

**Work test** You must have been gainfully employed for at least 40 hours within a period of 30 consecutive days in the financial year in which you or your employer make the contribution.

**28 day rule** You or your employer may contribute if you meet the **Work test** conditions (as above) and the contribution is received by the fund within 28 days after the end of the month in which you turn 75.

**TFN** If you make contribution and do not quote your TFN to your fund within 30 days, your contribution will be refunded to you less taxes, fees, costs and insurance premiums, and reduced or increased for market movements.

**\$150K limit** If you are 65 but less than 75 at the start of a financial year, your fund can accept a contribution up to \$150,000. If you contribute more than this amount, the excess contributions will be refunded to you less taxes, fees, costs and insurance premiums, and reduced or increased for market movements.

**\$450K limit** If you are aged less than 65 at the start of a financial year, your fund can accept a contribution up to \$450,000. If you contribute more than this amount, the excess contributions will be refunded to you less taxes, fees, costs and insurance premiums, and reduced or increased for market movements.

**Please note:** Although the above table may indicate that you are eligible to contribute to super, from 1 July 2007 there are various taxes that may apply to your contributions (such as contributions tax, TFN tax and excess contributions tax). We also reserve the right to refuse or accept any contribution in other circumstances.

## How much can I contribute?

- The existing age based deduction limits for contributions have been abolished and new contribution caps will apply. You must personally pay excess contributions tax on contributions above these new caps.
- You may request we pay the excess contributions tax from your super by using a release authority form (sent to you from the Australian Tax Office (ATO)).
- New contribution-splitting rules apply.
- The Government co-contribution will be extended to the self-employed.

	Before 1 July 2007	From 1 July 2007						
<b>Claiming a tax deduction for contributions</b>	<p>The maximum amount an employer can claim as a tax deduction for each employee (including SG and salary sacrifice contributions) depends on the age of the employee. For the year ended 30 June 2007, the age based deduction limits are:</p> <table style="margin-left: 20px;"> <tr> <td>Under 35</td> <td>\$ 15,260</td> </tr> <tr> <td>49-49</td> <td>\$ 42,385</td> </tr> <tr> <td>50 and over</td> <td>\$105,113</td> </tr> </table> <p><b>Self employed</b> If you are under age 70 and eligible to claim a tax deduction for personal contributions, you can claim the first \$5,000 then 75% of any further contributions (up to your aged based deduction limit, as above). If you are eligible to claim a tax deduction, you are required to notify us if you want to claim a deduction for personal contributions.</p>	Under 35	\$ 15,260	49-49	\$ 42,385	50 and over	\$105,113	<p>New contribution caps will apply in place of the age based deduction limits. This may affect your existing salary packaging in particular your salary sacrifice arrangements. Please read on for further details, and consider talking to your financial adviser.</p> <p><b>Self employed</b> If you are eligible to claim a tax deduction for personal contributions, you will be able to do so up to age 75, for the full amount of the contribution. If you are eligible, you should notify us (if you haven't already) by completing and sending us the 'Notice of Intent to Deduct Form' available on our website, by the earlier of: → 30 June of the following year, or → the date you lodge your tax return for that year.</p>
Under 35	\$ 15,260							
49-49	\$ 42,385							
50 and over	\$105,113							
<b>Superannuation rollovers</b>	<p><b>Superannuation ETP rollovers</b> Generally, no tax is payable when transferring your super benefits between funds.</p> <p><b>Public sector funds</b> A rollover from a public fund sector may attract tax. Please speak to your public sector fund for more information.</p>	<p><b>Superannuation benefit rollovers</b> Generally, no tax is to be payable on rollovers of superannuation benefits between funds.</p> <p><b>Public sector funds</b> There is a new cap for public sector fund benefits which may have additional taxation implications. Please speak to your public sector fund for more information.</p>						
<b>After tax contributions</b> → Member and personal contributions → Spouse contributions	<p>Undeducted contributions made:</p> <ul style="list-style-type: none"> <li>→ on or before 9 May 2006 are not taxed by the fund, and</li> <li>→ between 10 May 2006 and 30 June 2007 you are taxed on non-concessional contributions above the <b>transitional non-concessional cap</b> at 46.5% (<b>excess contributions tax</b>).</li> </ul> <p>The <b>transitional non-concessional cap</b> is \$1 million. Before tax contributions above the age base deduction limits may also count towards the <b>transitional non-concessional cap</b>. (See 'Before tax contributions'.)</p>	<p><b>Non-concessional contributions:</b></p> <ul style="list-style-type: none"> <li>→ will not be taxed by the fund, and</li> <li>→ you are taxed on non-concessional contributions above the <b>non-concessional cap</b> at 46.5% (excess contributions tax).</li> </ul> <p>The <b>non-concessional cap</b> is \$150,000 per year. If you are: → <b>under age 65</b> (at any time in the financial year), and you contribute over the <b>non-concessional cap</b>, you will 'bring forward' your following two years contribution caps. This means you can make up to three times the non-concessional cap (\$450,000 from 1 July 2007) in contributions at any time over a three year period.</p> <p><b>CGT contributions</b> and <b>concessional contributions</b> above their caps may also count towards the <b>non-concessional cap</b>. (See 'CGT contributions' and 'Before tax contributions'.)</p>						
<b>Before tax contributions</b> → Superannuation guarantee (SG) contributions including SG shortfall amounts → Industrial award and certified agreement contributions → Additional employer contributions → Salary sacrifice contributions → Self-employed or personal deductible contributions	<p>Deductible contributions are taxed by the fund at 15%.</p> <p>Contributions made between 10 May 2006 and 30 June 2007 above your age based deduction limit count towards the <b>transitional non-concessional cap</b>. (See 'After tax contributions'.)</p>	<p><b>Concessional contributions:</b></p> <ul style="list-style-type: none"> <li>→ will be taxed by the fund at 15%,</li> <li>→ may be subject to TFN tax by the fund at an additional 31.5% (if you haven't provided your TFN), and</li> <li>→ you are taxed on <b>concessional contributions</b> above the concessional cap at an additional 31.5% (<b>excess contributions tax</b>).</li> </ul> <p>The <b>concessional cap</b> for investors: → <b>under age 50</b> is \$50,000* per year, and → <b>age 50 or over</b> (between 1 July 2007 and 30 June 2012) is \$100,000 per year (not indexed).</p> <p>Contributions above the <b>concessional cap</b> also count towards your <b>non-concessional cap</b>. Part or all of a Directed Termination Payment (<b>DTP</b>) may also count towards the <b>concessional cap</b>. (See 'Employer termination payments'.)</p>						

\* Indexed to Average Weekly Ordinary Time Earnings (AWOTE) in \$5000 increments.

	Before 1 July 2007	From 1 July 2007
<b>CGT contributions</b> → Small business CGT concessions available on the sale of certain small business assets	<p>There are rules around eligibility, timing and notifying your fund, to make CGT contributions. These rules can be complex so please consider speaking to your financial or taxation adviser before making these contributions.</p> <p>CGT exempt amounts:</p> <ul style="list-style-type: none"> <li>→ are not taxed by the fund, and</li> <li>→ paid after 10 May 2006 and above the <b>CGT cap</b> will count towards the <b>non-concessional cap</b>. (See 'After tax contributions'.)</li> </ul> <p>The <b>CGT cap</b> is a lifetime amount of \$1 million*.</p>	<p><b>CGT contributions:</b></p> <ul style="list-style-type: none"> <li>→ will not be taxed by the fund, and</li> <li>→ above the <b>CGT cap</b> will count towards the <b>non-concessional cap</b>. (See 'After tax contributions'.)</li> </ul> <p>The <b>CGT cap</b> is a lifetime amount of \$1 million*.</p>
<b>Employer Termination Payments</b> → 'Golden hand shake' → Other payments on termination of employment	<p>The untaxed post-June 1983 component of an employer eligible termination payment (ETP) is taxed by the fund at 15%.</p> <p>The balance of the payment is not taxed by the fund until it is withdrawn.</p>	<p><b>A Directed Termination Payment (DTP):</b></p> <ul style="list-style-type: none"> <li>→ is a payment paid after your employment has been terminated (Employer Termination Payment)</li> <li>→ must be payable under an employment contract prior to 10 May 2006, and</li> <li>→ must be paid between 1 July 2007 and 30 June 2012.</li> </ul> <p>The <b>taxable component</b> of a <b>DTP</b>:</p> <ul style="list-style-type: none"> <li>→ will be taxed by the fund at 15%</li> <li>→ may be subject to TFN tax by the fund at an additional 31.5% (if you haven't provided your TFN), and</li> <li>→ above the <b>DTP cap</b> will count towards the <b>concessional cap</b>. (See 'Before tax contributions'.)</li> </ul> <p>The <b>DTP cap</b> is a lifetime amount of \$1 million to 30 June 2012. (The <b>taxable component</b> of other Employer Termination Payments taken in cash may also count towards this cap.)</p> <p>Please speak to your financial adviser for more information.</p>
<b>Personal injury contributions</b> Contributions made within 90 days of: <ul style="list-style-type: none"> <li>→ receiving a lump sum workers compensation payment, or</li> <li>→ the date of the agreement or court order for compensation or damages as a result of personal injury.</li> </ul>	<p>There are rules around eligibility, timing and notifying your fund to make personal injury contributions. These rules can be complex so please consider speaking to your financial adviser before making these contributions.</p> <p><b>Personal injury contributions</b> made between 10 May 2006 and 30 June 2007:</p> <ul style="list-style-type: none"> <li>→ are not taxed by the fund, and</li> <li>→ do not count towards any cap.</li> </ul>	<p><b>Personal injury contributions:</b></p> <ul style="list-style-type: none"> <li>→ will not be taxed by the fund, and</li> <li>→ do not count towards any cap.</li> </ul>
<b>How do I pay my excess contributions tax?</b>	<p>You are personally liable to pay <b>excess contributions tax</b> to the ATO within 21 days.</p> <p><b>Transitional non-concessional cap</b>  You will receive a <b>release authority</b> (from the ATO) for <b>excess contributions tax</b> on contributions above the <b>transitional non-concessional cap</b>. You must present this to your fund.</p> <p><b>Once-off opportunity for a refund of your contributions</b>  You can apply to the ATO before 30 June 2007 to have contributions above the <b>transitional non-concessional cap</b>, made before 7 December 2006, refunded instead of being taxed.</p> <p>A release authority is only valid for 90 days.  Further information is available from the ATO website <a href="http://www.ato.gov.au">www.ato.gov.au</a>.</p>	<p><b>Non-concessional cap</b>  You will receive a <b>release authority</b> from the ATO for <b>excess contributions tax</b> on contributions above the <b>non-concessional cap</b>. You must present this to your fund.</p> <p><b>Concessional cap</b>  You will receive a <b>release authority</b> from the ATO that you may present to your fund to pay this tax or refund the tax already paid by you.</p>
<b>Splitting contributions with your spouse</b>	<p>Contribution splitting enables you to split:</p> <ul style="list-style-type: none"> <li>→ up to 85% of your deductible (before tax) contributions, and</li> <li>→ all undeducted (after tax) contributions made to your super fund on or before 5 April 2007.</li> </ul>	<p>You will be able to split contributions up to the lesser of:</p> <ul style="list-style-type: none"> <li>→ 85% of your <b>concessional contributions</b>, and</li> <li>→ your <b>concessional contributions cap</b> for the financial year.</li> </ul> <p>You will not be able to split your <b>non-concessional contributions</b> with your spouse.</p>
<b>Receiving Government co-contributions</b>	<p>If you are an employee and earn less than \$58,000pa** in the year ended 30 June 2007, you can make an undeducted (after tax) contribution and be eligible for a Government co-contribution of up to \$1,500pa.</p>	<p>There will be no changes to these rules. However, self employed will also be eligible for the Government co-contribution.</p> <p>Your Government co-contributions do not count towards any cap.</p>

\* Indexed to AWOTE in \$5000 increments.

\*\* This threshold is indexed to AWOTE (\$58,980 in 2007/08).

## Ready to take your super benefits?

	Before 1 July 2007	From 1 July 2007														
<b>Taking your benefits?</b>	From 10 May 2006, it is no longer compulsory to take your super benefits from your super fund. However, when you die, your benefits must still be paid from the fund. (See 'Death benefits'.)															
<b>Rolling over your super money?</b>	If you request to transfer your super, a fund must transfer your benefits to the new super fund within <b>90</b> days of your request (and all the required information must be received within 90 days).	A rollover request will need to be completed within <b>30</b> days of your request (and all the required information must be received within 30 days).  Funds may also require that a standard form be completed to request a transfer. You can find this form on the Forms & Tools page on our website <a href="http://colonialfirststate.com.au">colonialfirststate.com.au</a> .														
<b>Retiring early due to ill-health?</b>	You can access your benefits if: → you cease work, and → you are permanently incapacitated as a result of ill-health where the fund is reasonable satisfied that you are unlikely to ever work again in a job for which you are reasonable qualified by education training or experience.	This rule will now extend to the self-employed and people who weren't working at the time they were injured.														
<b>Reasonable Benefit Limits (RBLs) abolished</b>	RBLs limit the amount of concessional tax super benefits you can receive.  The lump sum RBL for 2006/07 is \$678,149. The pension RBL for 2006/07 is \$1,356,291.	RBLs have been abolished.														
<b>Components of super benefits</b>	Currently, different rates of tax apply to your super components when cashing out your super. The existing ETP components are: → pre-July 1983 component → post-June 1983 component → undeducted contributions → CGT exempt component → post-June 94 invalidity component → concessional component, and → excessive component.	From 1 July 2007, the previous ETP components (other than pensions) will convert to two new components: → <b>tax-free component</b> , and → <b>taxable component</b> .  The <b>tax-free component</b> will be equal to the following ETP components valued as at 30 June 2007: → pre-July 1983 component → undeducted contributions → CGT exempt component → post-June 94 invalidity component, and → concessional component – plus your tax free contributions from 1 July 2007: → <b>non-concessional contributions</b> → <b>CGT contributions</b> → personal injury contributions → <b>tax-free component</b> of a <b>DTP</b> , and → <b>tax-free component</b> of a superannuation benefit rollover.  The <b>taxable component</b> will be equal to the remaining balance of the value of your super account. For details of the taxation components of pensions see 'Taxation of pensions'.														
<b>Lump sum withdrawals</b>	The following rates of tax apply to your ETP components when cashing out your super:  <b>Pre-July 1983 component</b> 5% of the pre-July 1983 component is taxed at your marginal tax rate.  <b>Post-June 1983 component</b> → <b>Under age 55</b> – The whole amount is taxed at 21.5%. → <b>Age 55 and over</b> – The first \$135,590 is tax free for the year ended 30 June 2007. Amounts above this threshold are taxed at 16.5% up to your applicable RBL.  <b>Excessive components</b> Amounts above your applicable RBL are taxed at either 39.5% or 46.5%.  <b>Other components</b> The other ETP components are not subject to tax.	If you choose and will be eligible to make a partial or full lump sum withdrawal: → you will pay no tax on your <b>tax-free component</b> , and → the following tax rates will apply to the <b>taxable component</b> of your lump sum, depending on your age:  <table border="1"> <thead> <tr> <th>Age</th> <th>Taxable amount</th> <th>Tax rate</th> </tr> </thead> <tbody> <tr> <td>Below preservation age (currently 55)</td> <td>Whole amount</td> <td>20% (plus 1.5% Medicare levy)</td> </tr> <tr> <td rowspan="2">Preservation age to age 59</td> <td>First \$140,000*</td> <td>0%</td> </tr> <tr> <td>Any lump sum withdrawal previously taken (including those taken before 1 July 2007) will count towards this threshold. Balance over \$140,000</td> <td>15% (plus 1.5% Medicare levy)</td> </tr> <tr> <td>60 and over</td> <td>Whole amount</td> <td>0%</td> </tr> </tbody> </table> Superannuation lump sum payments must be taken proportionately from the <b>taxable component</b> and <b>tax-free component</b> of your superannuation lump sum.	Age	Taxable amount	Tax rate	Below preservation age (currently 55)	Whole amount	20% (plus 1.5% Medicare levy)	Preservation age to age 59	First \$140,000*	0%	Any lump sum withdrawal previously taken (including those taken before 1 July 2007) will count towards this threshold. Balance over \$140,000	15% (plus 1.5% Medicare levy)	60 and over	Whole amount	0%
Age	Taxable amount	Tax rate														
Below preservation age (currently 55)	Whole amount	20% (plus 1.5% Medicare levy)														
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60 and over	Whole amount	0%														

\* Indexed to AWOTE in \$5,000 increments.

## Who can receive my death benefits?

- there are new rules on who will be able to receive your death benefit as a pension, and
- new rules will apply to the taxation of death benefits.

What's changing?	Until 30 June 2007	From 1 July 2007
<b>Death benefit nominations</b>	<p>You can nominate a dependant to receive your benefit in the form of a lump sum or a pension on your death.</p> <p>A dependant is one or more of the following people:</p> <ul style="list-style-type: none"> <li>→ your current spouse (including a de facto)</li> <li>→ your children (including step, adopted or ex-nuptial)</li> <li>→ any person(s) financially dependent on you</li> <li>→ a person with whom you have an interdependency relationship, or</li> <li>→ your legal personal representative (LPR), which means the executor or administrator of your estate. (Please note: we will not pay a pension to a LPR.)</li> </ul>	<p>The same rules will apply except for the conditions on who can receive a pension payment on your death.</p> <p>Your child will now only receive a death benefit as a pension if they:</p> <ul style="list-style-type: none"> <li>→ are under 18</li> <li>→ are under 25 and financially dependent on you, or</li> <li>→ have a certain type of disability.</li> </ul> <p>If you have nominated your child to receive a pension and the child does not meet these conditions, we will pay your benefits to them as a lump sum payment.</p>
<b>Taxation of death benefits</b>	<p>The taxation of your benefit on your death is complex and will depend on a number of factors including:</p> <ul style="list-style-type: none"> <li>→ the age and personal circumstances of your beneficiaries</li> <li>→ whether the death benefit is paid as a lump sum or pension, and</li> <li>→ any applicable RBL.</li> </ul>	<p><b>Lump sum</b> payments to a:</p> <ul style="list-style-type: none"> <li>→ dependant – are not subject to tax</li> <li>→ non-dependant <ul style="list-style-type: none"> <li>→ 15% tax (plus 1.5% Medicare levy) on the <b>taxable component</b> (element taxed), and</li> <li>→ 30% tax (plus 1.5% Medicare levy) on the <b>taxable component</b> (element untaxed).</li> </ul> </li> </ul> <p><b>Pensions</b></p> <p>If:</p> <ul style="list-style-type: none"> <li>→ you or your beneficiary are age 60 or over pension payments to your beneficiary will not be subject to tax, or</li> <li>→ you and your beneficiary are under age 60 the taxable proportion of pension payments to your beneficiary are subject to tax at marginal tax rates. Tax concessions may also be available.</li> </ul>

## Pension rules

What's changing?	Until 30 June 2007	From 1 July 2007														
<b>New Allocated Pension rules</b>	<p>You must draw an income from your pension which is between a set minimum and maximum limit. These limits are determined by your age.</p>	<p>You will be able to choose the amount you take from your pension each year above your new minimum amount. This is calculated as a minimum percentage of your account balance (depending on your age).</p> <table border="1"> <tbody> <tr> <td>Under 65</td> <td>4%</td> </tr> <tr> <td>65-74</td> <td>5%</td> </tr> <tr> <td>75-79</td> <td>6%</td> </tr> <tr> <td>80-84</td> <td>7%</td> </tr> <tr> <td>85-89</td> <td>9%</td> </tr> <tr> <td>90-94</td> <td>11%</td> </tr> <tr> <td>95 or more</td> <td>14%</td> </tr> </tbody> </table> <p>You will no longer be limited to a maximum amount each year unless you have a Pre-retirement pension.</p> <p><b>Pre-retirement pensions</b></p> <p>The maximum annual income limit will be 10% of your account balance at the start of each financial year. Pre-retirement pensions will continue to be non-commutable.</p>	Under 65	4%	65-74	5%	75-79	6%	80-84	7%	85-89	9%	90-94	11%	95 or more	14%
Under 65	4%															
65-74	5%															
75-79	6%															
80-84	7%															
85-89	9%															
90-94	11%															
95 or more	14%															
<b>Term Allocated Pensions (TAP)</b>	<p>You must draw an annual fixed pension amount, or an amount within your lowest amount (your fixed amount less 10%) and your highest amount (your fixed amount plus 10%). Your fixed amount is calculated each year based on your account balance and the remaining term of your pension.</p>	<p>No change to the pension payment rules of your existing TAP.</p>														

# Taxation of pensions

What's changing?	Until 30 June 2007	From 1 July 2007
<p><b>The new tax-free amount, previously known as your 'deductible amount'</b></p>	<p>The 'deductible amount' reduces your assessable income from your pension payments each year. It is calculated by dividing your undeducted purchase price by your (or your reversionary beneficiary's) life expectancy as at the start of your pension.</p> <p>Your undeducted purchase price is the sum of any undeducted contributions, post-June 1994 invalidity component and CGT exempt component.</p>	<p><b>60 and over</b></p> <p>If you are age 60 or over, none of your pension payments will be subject to tax.</p> <p>However, your benefit will be converted to the new <b>tax-free component</b> and <b>taxable component</b> (see below). These components may affect the taxation of benefits paid on your death.</p> <p><b>Under 60</b></p> <p>Your 'deductible amount' will not change until one of the following 'trigger events' occurs:</p> <ul style="list-style-type: none"> <li>→ you turn 60</li> <li>→ you take a full or partial lump sum withdrawal (commutation), rollover, or</li> <li>→ you die.</li> </ul> <p>(Please note: any extra lump sum withdrawal will be a 'trigger event' (excluding pension payments) unless you tell us it is an irregular pension payment.)</p> <p>Your existing tax components will convert to the following new components.</p> <ul style="list-style-type: none"> <li>→ <b>Tax-free component</b> – will be equal to the total of your: <ul style="list-style-type: none"> <li>→ unused undeducted purchase price, and</li> <li>→ pre-July 1983 component (except for pre 1 July 1994 pensions).</li> </ul> <p>This tax-free component will be divided by your total pension account balance to determine the 'proportion' of your pension payments that are tax free. Any lump sum withdrawal will also use this same tax free proportion.</p> </li> <li>→ <b>Taxable component</b> – the balance of your account (generally your post-1983 component).</li> </ul> <p>These components may affect the taxation of benefits paid on your death.</p> <p>(See '<b>Taxation of pension payments</b>' and '<b>Taxation of death benefits</b>' for more details.)</p>
<p><b>Taxation of pension payments</b></p>	<p>Your annual pension payment less your annual deductible amount is included in your assessable income and taxed at your marginal rate. If you are:</p> <ul style="list-style-type: none"> <li>→ <b>under 55</b> a 15% tax offset may apply to income streams paid as a result of your disability or to your beneficiary on your death, or</li> <li>→ <b>55 or over</b> up to a 15% tax offset may apply to reduce your tax payable as a result of your RBL assessment.</li> </ul>	<p>The way your pension payments will be taxed depends on your age and when you receive your pension payments.</p> <ul style="list-style-type: none"> <li>→ <b>Under 55</b> your annual pension payment less your tax-free amount will be included in your assessable income and taxed at your marginal tax rate.</li> <li>A 15% tax offset may apply to income streams paid as a result of disability or to your beneficiary on your death.</li> <li>→ <b>Between 55 and 59</b> your annual pension payment less your tax-free amounts will continue to be included in your assessable income and taxed at your marginal tax rate.</li> <li>A 15% tax offset will apply to reduce your tax payable irrespective of your previous RBL assessment.</li> <li>→ <b>60 or over</b>, your pension is excluded from your assessable income and is <b>not subject to tax</b>.</li> </ul>

## Social security changes

What's changing?	Until 30 June 2007	From 1 July 2007
<b>Asset Test exemption for TAPs</b>	Term allocated pensions qualify for a 50% Social Security Assets Test exemption.	From 20 September 2007, this Asset Test exemption for TAPs will be abolished. A TAP purchased before 20 September 2007 will continue to qualify for the 50% Social Security Assets Test exemption. However, you may lose this benefit if you transfer your TAP to another pension product or to a beneficiary on your death (excluding reversionary pensions).

### Want to find out more?

Watch your letter box for information about the 'better super' changes from the ATO. Further information is also available on the ATO's website [www.ato.gov.au/bettersuper](http://www.ato.gov.au/bettersuper).

For more information about how these changes impact you, please speak with your financial adviser.

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The information contained in this brochure is based on Colonial First State's understanding of the relevant Australian laws including the Government's new 'better super' legislation as at 22 June 2007. As these laws are subject to change you should refer to our website at [colonialfirststate.com.au](http://colonialfirststate.com.au) or talk to a financial adviser for the most up-to-date information. This flyer provides general information only and is not financial advice. It does not take into account your individual objectives, financial situation or needs. You should assess how the information affects you and consider talking to your financial adviser.

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