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Chartered Accountants

SuperGuardian in the Press

Published: Smart Money - How to tell if the money can be pulled out.

The changing rules on accessing super money; how to calculate taxable and tax-free pension components.

John Wasiliev

In 1990 I contributed $30,000 of after-tax money into a retail super fund. Later, when I came to work with the South Australian government, I rolled this money over into my Triple S account [the super scheme for South Australia public sector employees]. I'm now 62 and still work. Could I withdraw this $30,000 undeducted contribution?

Your question, says private client adviser Peter Crump of Ipac South Australia, focuses on the rules that require super contributions to be preserved until you retire, and a lot has changed since 1990. Then any personal contributions were not required to be preserved and were able to be accessed when you stopped employment, regardless of your age.

From July 1999 these contributions were classed as "restricted non-preserved", which means they were able to be accessed on the cessation of employment and then subject to no other preservation restrictions.

As your contributions were rolled over from the retail super fund to another fund, this status should have been notified by the retail fund to Triple S at that time. If the rollover occurred after July 1999, the rollover notification should have indicated the "restricted non-preserved" status of the contributions.

If you have changed employment since then, unless you advised the trustee this occurred the preservation status of these contributions may not have been changed. A notification to the trustee at that time would have caused the status to be changed to "unrestricted non-preserved" as a result of the cessation of employment, meaning the funds would be accessible at any time, regardless of age and future employment status.

If the trustee was not notified when your employment ended, the amount would still be treated as "restricted non-preserved".

You should be able to see the status of your balance as the annual statement should show the amount as being either "restricted non-preserved" or "unrestricted non-preserved". If it is not the latter, you may need to discuss the issue with the fund administrators, who may be able to amend the status of the funds if your change of employment has occurred recently.

Can you refer me to the section of tax legislation that shows how the taxable and tax-free components of a super pension are calculated? I'm 77 and started a pension in 1995. The most recent information I have was around September 2010 when my then accountant calculated that 54 per cent of the account was taxable. I find this hard to believe as by far the majority of the money invested in the fund was after tax.

The Tax Laws Amendment (Simplified Superannuation Fund) Act 2006, in particular subdivisions 307-C and 307-D, introduced the concepts of taxable and tax-free components of a superannuation interest, says accounting manager Kimberlee Brown of DIY super administrator SuperGuardian.

To calculate the tax-free component of a super account, there are two segments: the contributions segment and the crystallised segment. The contributions segment includes all non-concessional or after-tax contributions made from July 1, 2007. The crystallised segment was calculated as at June 30, 2007, and consolidated several existing components of a member's super benefit. The taxable component is determined by subtracting the tax-free component from the total super account. So the taxable component commonly represents tax-concessional contributions – personal and employer – made on behalf of the member, and the proportion of net income earnings of the fund.

So even if most of the contributions were after tax, all investment earnings of the fund are attributed to the taxable component of a superannuation interest. Hence it is possible for an individual to accumulate a significant taxable component despite having mainly contributed after-tax monies to their super fund.

But once you start a pension, the tax-free and taxable components are crystallised and all future investment earnings are apportioned to both components based on the split at commencement.

Ask us

Get your superannuation questions answered by the experts. Send any query, big or small, to wasiliev@yoursuper.net