

Fact Sheet for individuals

Russell SuperSolution Master Trust

Flood levy Frequently asked questions

Preliminary estimates show the natural disasters that devastated parts of Queensland during the 2010-11 financial year will cost the Government \$5.6 billion. Two thirds of this will be funded via budget cuts with the remaining one third coming from the flood levy.

What is the flood levy?

The Temporary Flood and Cyclone Reconstruction Levy (flood levy) is a temporary tax introduced by the Government. Money raised from the levy will be used to fund the reconstruction of Queensland following the natural disasters of 2010-2011. The levy will only apply to taxable income for the 2011-12 financial year and is effective 1 July 2011 to 30 June 2012.

Who will have to pay the flood levy?

The levy will only apply to residents and non-residents who have a taxable income of more than \$50,000 in the 2011-2012 financial year.

Who is exempt from paying the flood levy?

You do not have to pay the flood levy if you:

- » received an Australian Government Disaster Recovery Payment (AGDRP), or a special ex-gratia payment, for a disaster that occurred in the 2010-11 year (such as the floods or Cyclone Yasi)
- » were affected by a disaster declared under the Natural Disaster and Relief and Recovery Arrangements and were ineligible for AGDRP but met at least one of the AGDRP criteria
- » have a taxable income less than \$50,000 for the 2011-12 financial year.

» How much will the flood levy be

The flood levy will be calculated as follows:

Taxable income	Rate
\$0 to \$50,000	Nil
\$50,001 to \$100,000	0.5 cents for each \$1 over \$50,000
Over \$100,000	\$250 plus 1 cent for each \$1 over \$100,000

» For example

If you have a taxable income of \$80,000, the cost of the levy will be \$2.88 per week.

The Australia Taxation Office (ATO) **flood levy calculator** can help you estimate the weekly cost of the flood levy.

How do I claim an exemption from paying the levy from my salary?

If you wish to claim an exemption from paying the levy, you will need to complete a flood levy exemption declaration form available from the Australian Taxation Office.

How does the flood levy impact my super?

The levy will apply to certain cash payments made from superannuation. This means we must withhold the levy from any of the following cash payments that we make to you from 1 July 2011 to 30 June 2012:

- » the taxable component of a lump sum benefit, if you are under age 60 (unless the payment is tax free, as will be the case with part of a TPD payment);
- » the taxable component of a death benefit paid to non-dependants for tax purposes; and
- » the taxable component of any pension payments, if you are under age 60 (typically, these will be transition to retirement pension payments).

I am under age 60 and eligible to claim an exemption from paying the levy from my super. How do I do this?

If you are under age 60 and wish to claim an exemption from paying the levy and will be receiving a cash payment from super after 1 July 2011:

- » you must complete the ATO flood levy exemption declaration form and send it to your superannuation fund

- » your fund will then apply the lower rate of tax to the taxable amount
- » your fund will complete the form and retain it for auditing purposes
- » when you lodge your 2012 tax return you will need to tell the ATO that you were exempt from paying the flood levy.

I'm between 55 – 60 years of age, how could the levy affect me?

If you are aged between 55 and 60, you can withdraw a lump sum up to a lifetime limit (\$165,000 effective 1 July 2011) tax free (subject to the preservation rules).

If you withdraw a lump sum benefit in excess of this amount during 2011-2012, the flood levy would be payable on the entire taxable component.

For example

If you received a lump sum benefit with a taxable component of \$180,000, tax would be payable on \$15,000 only (assuming this was the first such amount you have withdrawn from your super).

The flood levy would then be payable on the full amount of the taxable component, i.e. \$180,000. The amount of the flood levy payable would be \$1,040, in addition to the tax on the \$15,000.

How does the flood levy impact my pension payments (account-based pensions)?

The levy will apply as per the new PAYG withholding tax table released by the ATO. Refer to 'How much will the flood levy be?' above for details.

Remember that a higher rate of tax must be withheld from your fund if we don't hold your tax file number.

I still have some questions, who else can I speak to?

We recommend you speak to your adviser if you think you may be affected by the flood levy. Alternatively, you can visit www.ato.gov.au/floodlevy for further information on how the flood levy could apply to you.