

Fact Sheet for individuals

Transferring overseas pensions to Australia

If you have lived overseas and have accrued pension benefits, you may now be eligible to transfer them to the Russell SuperSolution Master Trust (Russell SuperSolution).

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- » How to transfer
- » Tips and traps

Your overall tax position will depend on your individual personal circumstances. The information provided here is intended to alert you to some of the issues involved. You should consider these issues with your financial adviser in deciding whether to transfer your overseas pension to Australia or not.

Why transfer?

You may save tax

If you leave your account overseas and receive a pension from it while you live in Australia, the income will usually be taxed as ordinary income in Australia which means the tax rate could be up to 46.5%.

In contrast, income from an Australian superannuation pension is taxed at a concessional rate and is tax free after your 60th birthday.

The longer you leave a pension overseas before transferring it to Australia, the more Australian tax you may eventually pay. If you have been an Australian Tax Resident for more than 6 months when the transfer is made, you need to pay tax on the growth the fund has experienced since you came to Australia. Generally, the longer the fund has been left overseas, the larger the growth will be and the more tax you will need to pay.

Access a wider range of investments

Generally speaking, Australian superannuation funds provide a wider range of investment options compared to many overseas funds. Russell SuperSolution has a full range of investment options to choose from.* Choosing an appropriate option for your circumstances can have a significant impact on the eventual value of your superannuation.

* If you are a defined benefit member you may not be eligible to make an investment choice.

» Have any questions?

Helpline: 1800 555 667

Website: www.russell.com.au

Email: yoursupersolution@russellsuper.com

Post: Locked Bag A4094
Sydney South NSW 1235

» Need advice?

If you need personal advice we can refer you to an adviser on the Russell Adviser Referral Program. We have handpicked a panel of advisers who we believe are best placed to provide you with personal advice.

Achieve protection for your family or estate

If you have transferred the amount to Russell SuperSolution, you can make a binding nomination regarding the distribution of your benefit in the event of your death. This way you can be certain your nomination will be honoured and your benefit paid as you wish.[†]

Understanding the Australian tax payable

If your transfer is completed within 6 months of you becoming an Australian tax resident, you do not need to pay tax on it.

If you have been a resident for more than 6 months you need to pay tax on the growth component of your pension. This is the growth the fund has experienced since you became an Australian tax resident.

The formula used to calculate the assessable amount is set out in the box below.

You can elect for Russell SuperSolution to pay tax on the assessable amount for you at the concessional rate of 15% by completing the relevant[§] form from the Australian Tax Office (ATO) website at www.ato.gov.au

Alternatively, you may pay the tax yourself at your marginal tax rate by including the assessable amount as income in your tax return.

In the event that an amount is transferred that was not 'vested' in you at the time, i.e. you were not otherwise entitled to it (such as a top-up payment from your overseas employer) this amount must be taxed by Russell SuperSolution at the rate of 15%.

Of course, you also need to check any international tax implications for any transfer having regard to your own personal financial circumstances.

If your transfer is from the UK

A transfer to an Australian superannuation fund from the UK can be considered an unauthorised payment. Unauthorised payments attract a penalty charge of up to 55% of your balance.

To avoid this penalty charge, you need to transfer to a fund that has Qualifying Recognised Overseas Pension Scheme (QROPS) status. Russell SuperSolution has QROPS status from the UK HMRC. Our reference number for the scheme is QROPS 500361. Your UK pension fund may request this reference number before making a transfer.

How to transfer

Contact your overseas fund to start a transfer. They will confirm whether they will transfer to an Australian superannuation fund and provide you with the form(s) required. This is also a good time to seek information about what your accumulated entitlement was when you became an Australian tax resident. The ATO can help you determine when you became a tax resident. You will need this information later to calculate your assessable amount.

When you receive the transfer documents complete the sections required of you and forward them to Russell SuperSolution via post to:

Locked Bag A4094
Sydney South NSW 1235

We will complete the sections required of us and forward the details to your overseas fund.

When we receive the funds we will contact you, as we will need you to notify us of whether you require the fund to pay any tax on the transfer for you. We will wait for this information before depositing the amount into your account.

Calculating the growth on your pension

$$\frac{[(\text{payment day entitlement} - \{\text{accumulated entitlement} + \text{additional contributions}\}) \times \text{resident days/total days}] + \text{previously exempt amounts}}$$

Where:

Payment day entitlement = the amount you are entitled to at the time of the transfer before any deductions have been made

Accumulated entitlement = generally the amount payable by the overseas fund the day before you became an Australian resident for tax purposes

Additional contributions = employer or personal contributions made after you became an Australian tax resident

Resident days[‡] = the number of days you have been an Australian tax resident in your current period of residence

Total days = the number of days from the first time you became an Australian tax resident until the date of payment

Previously exempt amounts = this relates to amounts assessable under the FIF rules. Check with your tax specialist if this applies to you.

[†] For more information on beneficiaries, read our fact sheet, *Nominating your beneficiaries*, at www.russell.com.au

[‡] Resident days and total days are only relevant if you have had multiple periods of residency in Australia.

[§] This form is called the 'Option for an Australian superannuation fund to pay tax on payments from overseas funds'.

Tips and traps

Amounts not taxed by Russell SuperSolution

Any transfer amount that is not taxed by Russell SuperSolution will count towards your limit on after-tax or non-concessional contributions. The limit is \$150,000 per financial year.

If you exceed the \$150,000 limit, a “bring forward” provision is triggered. This provision brings forward 2 years worth of contributions, and allows you to contribute up to \$450,000 during a three year period. The period begins from the start of the financial year in which the limit is exceeded. If more than \$450,000 is contributed during this period, tax of 46.5% will apply to the excess. Please note that you may not use the ‘bring forward’ provision if you are over 65.

Amounts taxed by Russell SuperSolution

If you elect to have Russell SuperSolution tax the growth component of your transfer, it will not count towards any contribution limit because it is considered normal growth within a super fund, not a contribution.

Any transfer amount which you were not entitled to at the time of the transfer (for example a top-up payment made by your overseas employer) is taxed by Russell SuperSolution and counts towards your concessional contribution limit. If such an amount is included in your transfer, it is important that you or your overseas fund inform us of the amount so we may tax and report it correctly.

Remember that amounts you salary sacrifice or that come from your employer also count towards your concessional contribution limit.

Penalty tax will be applied if you exceed your concessional contribution limit. If you are under 50 this limit is \$25,000 per financial year. If you are over 50 the limit will be \$50,000 per financial year until 30 June 2012 after which it will reduce to the universal limit (currently \$25,000). If you exceed the limit, penalty tax of 31.5% (in addition to the 15% already charged) will apply to the amount contributed above the limit.

In addition, the amount contributed above your concessional contribution limit will count towards your non-concessional

contribution limit for that year. This may result in you also exceeding that limit and incurring another 46.5% tax on the amount.

You should consult a financial adviser to discuss your personal financial and tax circumstances before initiating a transfer. The Australian Tax Office (ATO) website www.ato.gov.au also contains some useful guidance about the tax treatment of transfers and examples relating to amounts counted towards your contribution limits. To start the transfer process, contact your overseas fund, or call our Helpline on 1800 555 667 if you have questions.