

FAQs tax and superannuation for unintentional underpayments

August 2020

The following contains general information only.

Western Power acknowledge that every individual's circumstances are different and, as such, you may seek to obtain independent advice about the financial impact of your back payments.

To assist you to obtain any necessary advice, Western Power will reimburse costs of an appropriately qualified financial and or/tax advisor of up to a maximum of \$300 (inclusive of GST).

Please complete the reimbursement request via the online form found on our external website (search 'underpayments') This form will be available from Monday 31 August 2020.

Tax returns

How will my back payment be reported on my annual Income Statement? Will tax be withheld?

The answer to these questions depends on what the back payment relates to.

Below is a table that provides a summary of how certain components will be reported, together with the Pay As You Go (PAYG) withholding that would apply.

Back payment relates to...	Reporting	PAYG withholding
Better off overall underpayment	Lump Sum E ¹	Your marginal tax rate
An amount paid to you on termination of employment - resignation		
Leave	Gross Payment	Your marginal tax rate
Severance	Lump Sum E ¹	Your marginal tax rate

¹ Amounts that accrued more than 12 months ago will typically be reported at Lump Sum E, unless the total amount is less than \$1,200. In this case it will be reported as a Gross Payment (i.e. where your salary/wages are typically reported). If you have an amount reported at Lump Sum E you will also receive a supporting statement from Western Power detailing the tax years to which the amount relates.



Back payment relates to...	Reporting	PAYG withholding									
An amount paid to you on termination of employment - genuine redundancy											
Leave	Lump Sum A	32%									
Severance component (inclusive of pay in lieu of notice and redundancy):											
- Tax-free component	Lump Sum D	Nil									
- Taxable component of genuine redundancy	Employment Termination Payment (ETP) Statement	<p>Pre 1 July 1983 service:</p> <p>If you had service prior to 1 July 1983, your ETP is apportioned such that the amount related to your service pre 1 July 1983 is tax-free.</p> <p>Amounts relates to post 1 July 1983 service as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>Up to ETP cap²</th> <th>In excess of ETP cap</th> </tr> </thead> <tbody> <tr> <td>Recipient has reached preservation age³ by the end of the tax year in which the back payment is made</td> <td>17%</td> <td>47%</td> </tr> <tr> <td>Recipient has not reached preservation age³ by the end of the tax year in which the back payment is made</td> <td>32%</td> <td>47%</td> </tr> </tbody> </table>		Up to ETP cap ²	In excess of ETP cap	Recipient has reached preservation age ³ by the end of the tax year in which the back payment is made	17%	47%	Recipient has not reached preservation age ³ by the end of the tax year in which the back payment is made	32%	47%
	Up to ETP cap ²	In excess of ETP cap									
Recipient has reached preservation age ³ by the end of the tax year in which the back payment is made	17%	47%									
Recipient has not reached preservation age ³ by the end of the tax year in which the back payment is made	32%	47%									

² The ETP cap for 2020/21 is \$215,000. Prior ETPs you have received with respect to the termination of your employment will count towards this.

³ Your preservation age will be between 55 and 60 years old. It depends on your date of birth. You can find your preservation age here: <https://www.ato.gov.au/Rates/Key-superannuation-rates-and-thresholds/?page=11>

How do I prepare my tax return?

Information on your annual income statement and employment termination payment (if applicable) should be pre-populated within your tax return in your MyGov account. If it is not, please use the information provided on your Statement of Underpayment to enter the information into the appropriate sections in your tax return.

If you have an amount at Lump Sum E, there will be an additional step required when preparing your tax return.

The amount at Lump Sum E should be reported within your tax return in MyGov at the section below.

Salary, wages, allowances, tips, bonuses etc.		Add
Payer's name	Income	Tax withheld
	\$0.00	\$0.00

Payer's name	
<input type="text"/>	
Payer's ABN or WFN	
<small>> If you don't know the ABN check with your payer or look-up the ABN?</small>	
<input type="text"/>	
Tax withheld	\$ <input type="text" value=""/> .00
Gross payments	\$ <input type="text" value=""/> .00
Did you earn this income while you held a Working Holiday visa (subclass 417) or Work and Holiday visa (subclass 462)?	
<input type="radio"/> Yes	<input checked="" type="radio"/> No
Total allowances including commissions, director's fees, bonuses, tips or consultation fees etc.	\$ <input type="text" value=""/> .00
Community Development Employment Project (CDEP)	\$ <input type="text" value=""/> .00
Reportable fringe benefits	\$ <input type="text" value=""/> .00
Reportable employer superannuation contributions	\$ <input type="text" value=""/> .00
Workplace giving	\$ <input type="text" value=""/> .00
Union or professional association fees	\$ <input type="text" value=""/> .00
Lump sum A	\$ <input type="text" value=""/> .00
Lump sum B	\$ <input type="text" value=""/> .00
Lump sum D	\$ <input type="text" value=""/> .00
Lump sum E	\$ <input type="text" value=""/> .00
Exempt foreign employment income	\$ <input type="text" value=""/> .00

You will need to provide a breakdown of the Lump Sum E amount so that the Australian Taxation Office (ATO) knows which tax years the back payment relates to. This breakdown is in your Statement of Underpayment that you will receive from Western Power.

The statement provides a detailed breakdown by tax year of the Lump Sum E amount. Select the appropriate tax years and report the amount as shown below.

Lump sum E

\$ 12345 .00

i Break down your lump sum E amount

Ensure the amount and the year as advised by the payer is correctly entered. For example, if your payer notified you in 2019-20 of a \$900 lump sum E, where \$600 of that amount relates to 2016-17 and \$300 to 2017-18, select:

- > 2016-17 from the Year drop-down list and enter \$600 in Amount, and
- > 2017-18 from the Year drop-down list and enter \$300 in Amount.

Lump sum in arrears additional information **Add**

More info. At least one record for additional information is required.

Year	Amount
	\$0.00

Year *
- Select -

Amount *
\$.00

Cancel **Save**

If you received an employment termination payment, the section below in your tax return in your MyGov account should be pre-populated.

Employment termination payments (ETP)		Add
Payer's name	Income	Tax withheld
	\$0.00	\$0.00

Is this an Australian ETP?

Yes No

Payer's name

Payer's ABN *

Date of payment *

Tax withheld *
\$.00

Taxable component *
\$.00

Tax-free component
\$.00

Employment termination payment code *
> visit [ETP code descriptions](#) to learn more

Will I receive a tax refund or a tax payable when I lodge my tax return?

PAYG withholding is designed to offset the amount of tax payable when you lodge your tax return. Having said that, it is an estimate of your tax liability at a point in time. If your earnings change between now and the end of the tax year, your estimated tax liability at year end will also change.

Western Power has endeavoured to withhold the appropriate amount of tax based on the back payment amount, however the withholding amount may exceed the tax liability due when you lodge your tax return (resulting in a tax refund), and conversely, the withholding amount may be less than the tax liability due when you lodge your tax return (resulting in a tax payable).

If you require specific advice on your particular circumstances, you should consult your accountant or an appropriately qualified tax specialist.

Will I need to amend my tax returns for the earlier years so that the back payment amounts are disclosed?

No. If you report the amount at Lump Sum E and provide the year by year breakdown, there will not be any need for you to amend previous tax returns. The ATO will have everything they need to make this adjustment for you.

Western Power has paid me interest into my bank account. Do I need to include this in my tax return?

Interest income is taxable income and should be reported in your tax return at the section below. You should consult with a tax advisor to confirm your position.

Interest

All fields marked with * are mandatory.

Check the information below and add any missing interest.

Description	Your share of total interest	Your share of TFN amounts withheld
	\$0.00	\$0.00

Financial institution

Account number

Number of account holders *

Total gross interest

\$

Total TFN amounts withheld

\$

Delete Cancel Save

Superannuation

How will my back payment related to superannuation be taxed?

The way in which superannuation contributions are taxed depends on whether they are considered concessional or non-concessional. Concessional contributions are generally taxed concessionally.

Further information with respect to this is outlined in the questions below.

Will the back payment that relates to superannuation count towards my concessional contributions cap for this tax year?

Yes. The back payment related to superannuation will be considered a concessional contribution. Any interest component will also be considered a concessional contribution. Where the amount is paid into

your fund prior to the end of the current tax year, it will count towards your concessional contributions for the current year.

Further [information with respect to concessional contributions, including the tax rate that applies on concessional contributions, can be found on the ATO's website here.](#)

What happens if I exceed my concessional contributions cap for the year?

If you exceed the concessional contributions cap, the ATO will issue you with an excess concessional contributions determination. The determination will advise you that the excess amount has been included in your assessable income in your tax return.

As a result, the excess amount will not be taxed concessionally and it will instead form part of your taxable income and you may be liable for an additional amount of tax as a result.

When you receive the determination from the ATO you can leave the excess concessional contributions in your fund (in which case they will count towards your non-concessional contributions cap), or you can elect to release your excess concessional contributions from your fund. Further [information can be found on the ATO's website here.](#)

Importantly, you can apply to the ATO for a determination to allow some or all of your contributions to be disregarded or allocated to another year, for example, the year in which they accrued. If the ATO accepts your determination, this would mean that the contributions would be counted towards the concessional contribution caps in an earlier year, as opposed to counting towards the concessional contribution cap in the year in which they paid to the fund.

Further information with respect to this can be found on the ATO's website [here.](#)

How do I find out more about taxation and superannuation issues?

There is more general information about the unintentional underpayments issue on the Western Power website by searching 'underpayments' which includes FAQs that may assist you.

However, Western Power is not able to provide you with specific tax and superannuation advice.

To assist you to obtain any necessary advice, Western Power will reimburse costs of an appropriately qualified financial and or/tax advisor of up to a maximum of \$300 (inclusive of GST).

Please complete the reimbursement request via the online form found on the website (search 'underpayments') This form will be available from Monday 31 August 2020.