

Tax on Superannuation Withdrawals



Background on tax systems

Taxation is an important way that the government raises money to spend on goods and services needed by the people. In developing countries like Papua New Guinea (PNG), the tax system relies heavily on 12% of its population of ‘lower-to-middle’ income earners but its benefits are shared widely to 88% of the population, who are mostly subsistence farmers living in rural areas.

PNG has a high rural-to-urban population ratio. This means that the minority of the formally employed income earning population have to pay high tax to the Government to enable it to spend on goods and services for all its citizens. Ideally, the tax system should raise the Government’s revenue without overburdening its population. Elsewhere, in more developed economies where tax systems are supported by a majority of the formally employed ‘middle-to-higher’ income earners, their taxpayers benefit from financial support from the Government, when they are no longer working. In PNG, the only safety net for the minority of the tax-paying workers is their superannuation savings.

Superannuation savings are for your retirement. In Papua New Guinea, the *Income Tax Act* sets out how tax is applied when you withdraw your superannuation.

When superannuation is taxed

Type of Contribution	Tax Treatment when in the Fund	Tax Treatment while in your account	Tax Treatment when you leave the Fund
Employer Contribution	Exempt	Exempt	Taxed (concessional see table below)
Employee Contribution	Exempt (Fund does not tax Employee contribution. Contribution taken from Salary after tax)	Exempt	Exempt
Profit earned by NSL for interest given to Members	Not derived or paid by Employer or Employee	Taxed	Taxed (this is the accumulated interest paid by NSL)



Criteria to Access Your Superannuation

- Member must not be working, that is formally retired and off the payroll, and;
- Member must be 55 years of age or, Member must have been working with 25 years of service.
- For Members of the disciplinary forces (Royal Papua New Guinea Police Constabulary, Papua New Guinea Correctional Services, and Papua New Guinea Fire Services, Member must be 50 years of age or have been working with 20 years of service.

Reforms to Tax laws on Member benefit payments

In February 2025, the Government announced through a National Gazette:

- *Individuals who have dedicated 15 years or more of service will now enjoy FULL EXEMPTION from tax on their superannuation withdrawals.*
- *For Retirement Savings Accounts (RSA), under the new provision, only the interest earned on these accounts will be taxed, while the principal amount remains entirely untaxed.*

What gets taxed?

- Early withdrawals

If you withdraw before 15 years or more of service, only your Employer contributions and Interest will be taxed. Your own contributions (Employee contributions) remain tax free. This is because your income is taxed before your Employee contributions are made. (salary and wages tax rates apply).

- Retirement Savings Account

Only the interest earned on RSA accounts will be taxed, while the principal amount remains entirely untaxed.

Comparison of the Superannuation tax before and after the tax reform

Years of Membership/ Contribution	Rate of tax applied BEFORE tax law reform	Rate of tax applied AFTER tax law reform
Less than 5 years	Marginal rate of Tax on Employer contributions and accumulated interest	Not changed
5 years to less than 9 years	The lesser of 15% or the marginal tax rate on the Employer contributions and accumulated interest	Not changed
10 to less than 15 years	The lesser of 8% or the marginal tax rate on Employer contributions and accumulated interest	Not changed
15 years OR under the following circumstance: <ul style="list-style-type: none">• Death• Medical• Member is over 50 and has contributed more than 7 years	2% concessional tax on Employer contributions and accumulated interest	0% tax on Employer contributions and accumulated interest

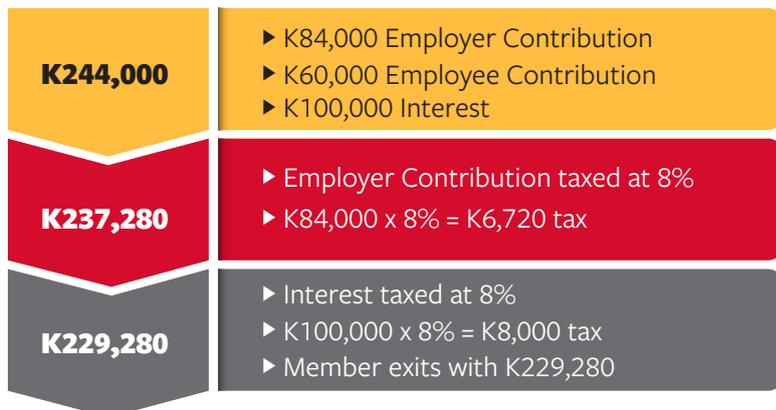


Example # 1

Tax Calculation for Member contributing for 14 years

- Let's assume that a Member has been contributing to any Superfund for 14 years with K244,000 in their account when they want to exit.
- Under the tax requirements the Member would qualify for the 8% concessional tax rate.

Tip: If you exit sooner than the legislative requirements, you will be more impacted by tax.

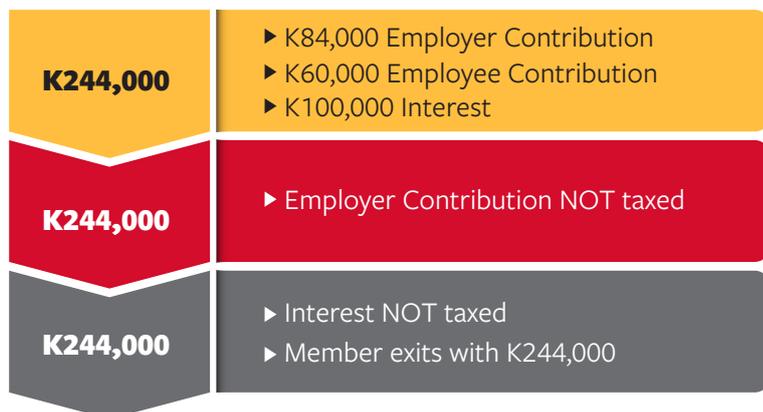


Example # 2

Tax Calculation for Member Contributing for 16 years

- Let's assume that the Member has been contributing to any Superfund for 16 years with K244,000 in their account when they want to exit.
- Under the new tax legislation, the Member would qualify for the 0% concessional tax rate.

Tip: The longer you contribute, the less tax you pay, or pay NO TAX at all.



Scan me



(Use your phone camera)

For more information

- Free call 180 1599
- CallCentre@nambawansuper.com.pg
- www.nambawansuper.com.pg

Follow us on: @nambawansuper