

Taxation concessions for pensions

Military Super

AFSL: 238395
ABN: 50 925 523 120
Board ABN: 72 406 779 248

MSo8 - May 2010

Who should read this fact sheet?

This fact sheet provides general information about tax concessions available to pensioners who are receiving a Military Superannuation and Benefits Scheme (MilitarySuper) pension.

What is in this fact sheet?

- What components make up my pension?
- What tax concessions are available?
- What is a tax offset?
- Superannuation pension tax offset – 15%
- Superannuation pension tax offset – 10% for all pensioners aged 60 and over
- Where can you get more information?

What components make up my pension?

Tax Free Component

Your pension may have a tax free component if you have pre July-1983 service and transferred from DFRDB to MilitarySuper. This is made up of a crystallised pre-July 1983 amount. The crystallised amount is based on the pre July-1983 portion of your taxed employer contributions (productivity component) and earnings consolidated as at 1 July 2007.

Taxable Taxed Component (part of pension from a taxed source)

This component of your pension consists of productivity contributions, and any interest earned. These contributions have already attracted contributions tax on entry to the fund.

Taxable Untaxed Component (part of pension from an untaxed source)

This component of your pension consists of contributions that haven't already attracted contributions tax on entry to the fund ie employer component, less productivity contributions.

What tax concessions are available?

There are two tax offsets that may be available depending on your age, as well as a tax free component.

- A 15% tax offset on any Taxable Taxed Component of a pension paid to all pensioners between the ages of 55 and 59 and reversionary pensioners of any age.
- A 10% tax offset on the Taxable Untaxed Component of a pension paid to all pensioners aged 60 and over.

What is a tax offset?

A tax offset is a reduction in your tax liability. Often a tax offset is described as a percentage (for example, an offset of 10% to a pension). It is different from a tax deduction, which may reduce your marginal tax rate.

Example of 10% tax offset

Take the example of a fortnightly pension of \$1448 which is comprised of a 10% (\$145) Taxable Taxed Component and a 90% (\$1303) Taxable Untaxed Component.

If you are aged 60 or over you will be entitled to a 10% tax offset on the Taxable Untaxed Component of \$1303. This results in a tax offset of \$130 per fortnight.

If you were paying \$381 tax per fortnight before the offset, the offset would be deducted from the amount of tax applicable i.e. $\$381 - \$130 = \$251$. You would now pay \$251 per fortnight in tax.

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Superannuation pension tax offset – 15% for pensioners aged between 55 – 59

You are entitled to this tax concession if your pension contains a Taxable Taxed Component.

This offset will automatically be applied to your fortnightly pension when you turn 55. Your fortnightly tax is then calculated using your marginal tax rate, less the 15% offset.

If you are receiving a reversionary pension which includes a Taxable Taxed Component you are entitled to claim this offset. If your late spouse was under 60 at the time of death you are entitled to claim the 15% tax offset from any age up to age 60. When you turn 60 the Taxable Taxed Component becomes tax free.

If you wish to claim this offset amount annually in your tax return, you need to advise us in writing.

Superannuation pension tax offset – 10% for pensioners aged 60 and over

At the age of 60, the Taxable Untaxed Component of your pension will be taxed at your marginal tax rate, less a 10% offset every fortnight.

If you are receiving an invalidity pension, this offset is available to you at age 60.

If you are receiving a reversionary pension and your late spouse was over 60, the Taxable Taxed Component of your pension is tax free and you are eligible for the 10% tax offset on the Taxable Untaxed Component regardless of your age.

If you wish to claim this offset amount annually in your tax return, you need to advise us in writing.

Taxation for pensioners aged 60 and over

At age 60, the Taxable Taxed Component of your pension automatically becomes tax free and is no longer assessable for tax purposes. You will have an additional paragraph included in the second page of your payment summary that will detail this amount.

The same arrangements apply if you are under age 60, receiving a reversionary pension, and your late spouse was over 60 at the time of death.

Where can you get more information?

EMAIL pensions@enq.militarysuper.gov.au

PHONE 1300 001 877

FAX 02 6272 9618

MAIL MilitarySuper
PO Box 22
Belconnen ACT 2616

WEB www.militarysuper.gov.au

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