

## 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?
- The taxation treatment on your pension.
- What is a marginal tax rate?
- Where you can get more information?

## What components make up my pension?

Your pension may comprise three components which are described below. These components will vary depending on your age and whether or not tax has been paid on the contributions that created the pension.

### Tax-free component

Your pension may have a tax free component if you have pre-July 1983 service and transferred from the DFRDB Scheme 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 which have been converted to pension. 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 (i.e. your total pension less any portion derived from productivity contributions).

## What tax concessions are available?

There are 2 tax offsets that may be available to you.

- **A 15% tax offset is available on the taxable taxed component of your pension if you are:** aged between 55 and 59, a reversionary pension recipient (regardless of age) or, a Class 'A' Invalidity pension recipient (under 55) who has provided evidence that you are totally and permanently incapacitated.\*

The taxable taxed component becomes tax free once you turn 60 years of age.

- **A 10% tax offset is available on the taxable untaxed component if you are:** age 60 or more, a reversionary pension recipient (regardless of age) and your spouse was over age 60 at the time of his/her passing.

**\*To qualify for this offset prior to age 55, you will need to provide reports from two legally qualified medical practitioners, (at least one of whom is a specialist in the field of medicine relating to the condition that is causing your incapacity) stating that you will be unlikely to ever work again in future.**

## 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 reduces your assessable income.

### Example of 10% tax offset

Take the example of a fortnightly pension of \$1,448 which is comprised of \$145 being a taxable taxed component and \$1,303 being a 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 \$1,303. This results in a tax offset of \$130 per fortnight.

If you were paying \$381 in tax per fortnight, the offset would be deducted from this amount to work out your tax liability. i.e.  $\$381 - \$130 = \$251$ . You would therefore pay \$251 per fortnight in tax.

# Taxation concessions for pensions

**Military  
Super**

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

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## The Taxation Treatment on your pension

Age 55 and below	
Tax free component	Nil
Taxable taxed component	Marginal tax rates
Taxable untaxed component	Marginal tax rates

Age between 55 and 59	
Tax free component	Nil
Taxable taxed component	15% tax offset + marginal tax rates
Taxable untaxed component	Marginal tax rates

Age 60 and older	
Tax free component	Nil
Taxable taxed component	Nil
Taxable untaxed component	10% tax offset + marginal tax rates

If you are entitled to an offset it will be automatically applied to your fortnightly pension unless you advise us in writing that you wish to claim this annually in your tax return.

## What is a Marginal tax rate?

Marginal tax rate is the term used to describe the method of taxation withholding. A person's marginal tax rate is the rate of income tax payable on the person's top portion of income earned. These rates are available from [www.ato.gov.au](http://www.ato.gov.au). This system is called pay as you go (PAYG) withholding.

**For more information about taxation matters, please contact the Australian Taxation Office on 13 10 20 or visit [www.ato.gov.au](http://www.ato.gov.au)**

## Where you can get more information?

EMAIL [pensions@enq.militarysuper.gov.au](mailto:pensions@enq.militarysuper.gov.au)

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**FACT SHEET**