



Tax and your CSS pension

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Please Note

CSC does not 'tax' your pension. We are required to withhold amounts in accordance with Australian Taxation Office (ATO) guidelines. We do not have access to ATO-held information about your super interests with other funds. If you receive a Benefit Estimate from us, any withholding amounts provided will not take your personal financial circumstances into account, including current or previous super income which may lead to additional tax being imposed by the ATO after it is paid. You should seek independent tax advice from an accountant or appropriately qualified tax professional - we cannot provide individual tax advice.

What components make up my pension?

Your pension can be made up of three components.

Tax-free component (part of the pension from a tax free source)

Your benefit may include a tax-free component. This component consists of member contributions paid to the scheme from 1 July 1983. It may also include a pre-1 July 1983 taxed component if eligible service started before 1 July 1983.

What you should know upfront

It is important that you read the disclaimer below. Before making any decisions, please read the **CSS Product Disclosure Statement (PDS)** and consider seeking advice from a licensed professional such as a financial planner, accountant or solicitor.

Who should read this factsheet?

CSS pensioners who would like to know more about tax concessions.



Commonwealth
Superannuation
Scheme

Taxable taxed component (part of the pension from a taxed source)

Your benefit may include a taxable taxed component. This component consists of post-June 1990 productivity and Fund earnings on member contributions.

Taxable untaxed component (part of the pension from an untaxed source)

Your benefit includes a taxable untaxed component. This is your standard pension and any pre-July 1990 productivity and earnings.

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.

Tax offset example – Age 60 and over

The following example shows how the tax offset is calculated.

If the untaxed component of your fortnightly pension is \$1,600, the offset amount is 10% of the \$1,600 which is \$160.

This means you would deduct the \$160 offset from the marginal tax rate applicable to your pension. If your fortnightly pension tax is \$230, your tax liability would be \$70.

What tax offsets are available?

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

A 15% offset is available on the taxable taxed component of your pension if you:

- have reached preservation age, we will automatically apply the offset to your pension when you reach preservation age. Your fortnightly tax will also change to the marginal tax rate, less the 15% offset.
- are a reversionary pension recipient (regardless of age), and your late spouse was under 60. You will receive this 15% offset at any age until you are 60 years old. Once you turn 60, this will become tax free.
- are an invalidity pension recipient. This offset is available to you at any age.

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:

- aged 60 or over, you are entitled to a 10% tax offset on your untaxed component. We will automatically apply this 10% offset to your fortnightly pension when you turn 60. Your fortnightly tax will also change to the marginal tax rate less the 10% offset.
- a reversionary pension recipient (regardless of age), and your late spouse was over 60, you are eligible for the 10% tax offset on the pension from an untaxed source.

If eligible, these tax offsets will be applied to your pension fortnightly. If you would like to claim this offset as part of your annual tax return (instead of in your fortnightly pension) you will need to tell us in writing.

* Concessional tax treatment will be capped if your pension exceeds the Defined Benefit Income Cap. For more information visit ato.gov.au

For more information please see the Transfer Balance Cap information [on our website](#) (csc.gov.au/Members/Retirement/Pensioners/Transfer-Balance-Cap).

How are pensions taxed?

The table below outlines the various taxation concessions which may apply to your pension.

	Percentage of tax payable on a taxed source		Percentage of tax payable on an untaxed source	
	Tax-free component	Taxable component	Tax-free component	Taxable component
Under preservation age	0%	Your marginal tax rate	There is no tax-free component for pensions from an untaxed source	Your marginal tax rate
Under age 60 and reached preservation age	0%	Your marginal tax rate less a 15% tax offset	There is no tax-free component for pensions from an untaxed source	Your marginal tax rate
Age 60 and over	0%		There is no tax-free component for pensions from an untaxed source	Your marginal tax rate less a 10% tax offset*

* subject to the Defined Benefit Income Cap

50% of any tax-free and taxable taxed pension that is in excess of the Defined Benefit Income Cap will be counted as assessable income if:

- you're over age 60 or
- you're receiving a reversionary pension and the original pensioner was over 60 before they passed away.

What are marginal tax rates?

Marginal tax rate is the term used to describe the method of taxation withholding. Withholding rates are calculated on the basis that, if your pay and circumstances remain consistent throughout the year, you may be entitled to a small refund when you complete your tax return at the end of the financial year.

This system is called **pay as you go (PAYG) withholding**.

For more information about taxation matters please contact the ATO on **13 10 20** or visit ato.gov.au

Where can I get more information?



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