



Taxation of lump sums

Before you read this factsheet

CSC does not 'tax' your benefits. 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 you need to know

Under current tax law, your employer, member and ancillary benefits may be subject to tax if withdrawn as either a rollover or cash lump sum. The only exception to this is dependant payments made in the case of a member's death.

Under the superannuation tax legislation there are three taxation components in your benefit:

Tax-free (taxed source)

You pay no money on the tax-free component when you claim your benefit. The most common source of the tax-free component is your 5% member contributions from your after tax salary. However the tax-free component can be made up of several components.

Taxable taxed (taxed source)

You may have to pay tax on the taxable taxed component when you claim your benefit. The taxable component of your benefit from a taxed source is also made up of different components. The most common of these is the interest earned on your member contributions and your employer productivity contributions.

Taxable untaxed (untaxed source)

The taxable untaxed component is always taxed, with the only exception to this being dependant lump sum payments paid in the event of a member's death.

The most common source for taxable untaxed component of your benefit is your untaxed employer benefit.

Some terms you should know

To assist you in understanding some of the terms referred to in this leaflet, a **Glossary** is provided on the last page.



Military
Superannuation &
Benefits Scheme

Table 1

Table 1 shows the type of contributions that make up your benefit and whether they are a taxed or untaxed source.

Contribution type	Source
Member contributions	Taxed
Productivity contributions	
Ancillary contributions	
MilitarySuper member and ancillary benefit earnings	
Employer component paid from Consolidated Revenue	Untaxed
Former members of DFRDB, who transferred to MilitarySuper, will also have a separate unfunded component of interest on your unfunded DFRDB member contributions.	

Table 2

Table 2 shows the withholding rates for super lump sums.

Income component derived by the payee in the income year	Age of person at the date the payment is received	Component subject to PAYG withholding	Rate of withholding (excluding Medicare levy ⁶)
Member benefit – taxable component – element taxed in the Fund	Below preservation age	Whole amount	20%
	Preservation age to age 59	Amount up to low rate cap ¹	Nil
		Amount above the low rate cap ¹	15%
	Aged 60 and above	Whole amount	Nil
Member benefit – taxable component – element untaxed in the Fund	Below preservation age	Amount up to untaxed plan cap ²	30%
		Amount above untaxed plan cap ²	45%
	Preservation age to age 59	Amount up to low rate cap ¹	15%
		Amount above the low rate cap ¹ up to the untaxed plan cap ²	30%
		Amount above untaxed plan cap ²	45%
	Aged 60 and above	Amount up to untaxed plan cap ²	15%
		Amount above untaxed plan cap ²	45%
Lump sum death benefit paid to non-dependants ⁴ – taxable component – element taxed in the Fund	Any	Whole amount	15%
Lump sum death benefit paid to non-dependants ⁴ – taxable component – element untaxed in the Fund	Any	Whole amount	30%
Lump sum death benefit paid to dependants ³ – taxable component - elements taxed and untaxed in the Fund	Any	None	Nil
Rollover super benefits – taxable component – element taxed in the Fund	Any	Whole amount	Nil
Rollover super benefits – taxable component – element taxed in the Fund	Any	Amount up to untaxed plan cap ²	Nil
		Amount above untaxed plan cap ²	45%
Super lump sum benefit less than \$200	Any	None ⁵	Nil
Super lump sum benefit (terminally ill recipient)	Any	None	Nil

1. For the current low rate cap, phone the ATO on **13 10 20** or visit ato.gov.au/super. The low rate cap in relation to super lump sums paid to an individual who has reached their preservation age is the maximum amount of the taxable component that is given the lowest rate of tax. **The low rate cap is a lifetime limit.** That is, if a payee received an element taxed in the Fund and an element untaxed in the Fund in a lump sum, the total low rate cap allowed for that lump sum cannot exceed the low rate cap that applies. The low rate cap is allocated to the element taxed in the Fund first before allocating the remaining low rate cap to the element untaxed in the Fund.
2. For the low rate cap or the untaxed plan cap in later years, phone the ATO on **13 10 20** or visit ato.gov.au/super
3. If the lump sum death benefits are being paid to an individual who was a dependant of the deceased, do not withhold amounts from that payment. A dependant includes both child and spouse of the deceased. Child of the deceased includes all of the following:
 - an adopted child, stepchild or ex-nuptial child
 - a child of the deceased's spouse
 - someone who is a child of the deceased within the meaning of the *Family Law Act 1975* (for example, a child who is considered to be a child of a person under a state or territory court order giving effect to a surrogacy agreement).Spouse of the deceased includes another person (whether the same sex or opposite sex) who:
 - the deceased was in a relationship with and that was registered under a law of a prescribed state or territory law
 - who lived with the deceased on a genuine domestic basis in a relationship as a couple.A dependant includes any person with whom the deceased had an interdependency relationship. An interdependency relationship includes a close personal relationship between two people who live together, where one or both provides for the financial and domestic support and personal care of the other.
A dependant can also be a person who was a dependent of the deceased just before the latter died. Before accepting that a person is financially dependent, phone the ATO on **13 10 20** for more information.
If the super death benefit is to be paid to the trustee of a deceased estate, an amount should not be withheld.
4. As a result of an amendment to the *Income Tax Assessment Act 1997*, an individual is treated as a death benefits dependant of a deceased person if the deceased died in the line of duty as a member of the defence force, a member of the Australian Federal Police or the police force of a state or territory, or a protective service officer (as defined in the *Australian Federal Police Act 1979*).
5. There is no withholding required from the whole amount if it is paid by a regulated super fund, complying approved deposit fund or retirement savings account provider as a super lump sum and it is the payee's entire benefit.
6. For the current Medicare levy, phone the ATO on **13 10 20** or visit ato.gov.au/super

Rollovers

Instead of taking your benefit from MilitarySuper as a lump sum, you can rollover part or all of your benefit to a regulated superannuation fund, a retirement savings account or an approved deposit fund. At the time you rollover your benefit, no tax is payable on taxed amounts, however, untaxed amounts will be taxed at 15% by the receiving fund. Higher rates of tax apply for rollovers over the untaxed plan cap. Tax may also be payable when you take your final benefit from the rollover fund. You will receive a copy of the **Rollover Benefits Statement** for each rollover fund you nominate (the rollover amount will have been forwarded to your nominated institution for you).

What is my PAYG Payment Summary—Superannuation lump sum?

Your **PAYG Payment Summary—Superannuation lump sum** is a document which sets out the details of your lump sum payment. It shows you the way your superannuation lump sum payment is broken up into tax-free, taxable taxed and taxable untaxed components. MilitarySuper will send your **PAYG Payment Summary—Superannuation lump sum** to you attached to a letter detailing your entitlements paid. You will need this information to complete your tax return.

For further detailed information on taxation matters

- Visit the Australian Taxation Office (ATO) website at ato.gov.au/super
- Phone the ATO on **13 10 20** for the cost of a local call.

Glossary

Ancillary contributions

Ancillary contributions include:

- additional personal contributions
- salary sacrifice contributions
- transfer amounts
- spouse contributions
- co-contributions
- low income superannuation contributions
- SG amounts from Australian Taxation Office (ATO)
- SG amounts from Defence.

Further information can be obtained from csc.gov.au

Taxed source

Taxed sources are those where tax has previously been paid on these contributions:

- member contributions
- additional personal contributions
- spouse contributions
- co-contributions
- productivity contributions
- post 1990 contributions
- salary sacrifice contributions
- transfer amounts.

Your benefit from a taxed source is further divided into two components: tax-free and taxable.

Tax-free (taxed source)

You pay no tax on the tax-free component when you claim your benefit. The most common source of the tax-free component is your compulsory 5% member contributions from your after tax salary. However, the tax-free component of your benefit from a taxed source can be made up of several components. The most common of these components are:

- pre-July 1983 component
- non-concessional contributions.

Taxable (taxed source)

You may have to pay tax on the taxable component when you claim your benefit. The taxable component of your benefit from a taxed source is also made up of different components. The most common of these components is the post June 1983 taxed element.

Untaxed source

Untaxed sources are those where no tax has previously been paid on these contributions:

- employer component (paid from consolidated revenue)
- former members of DFRDB, who transferred to MilitarySuper, will also have a separate unfunded component of interest on your unfunded DFRDB member contributions.

How can I get more information?



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