Australian Government
Commonwealth Superannuation Corporation

MS08
05/22

Tax and your MilitarySuper pension

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What you should know upfront

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

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.

Who should read this factsheet?

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

What components make up my pension?

Your pension can be made up of three components.

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.

CSC — Military Super
Military Superannuation & Benefits Scheme

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

Your benefit includes a taxable untaxed component. This component consists of your employer component.

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.

How are pensions taxed?

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

Table 1 – Tax treatment of pensions

	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*

* 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).

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 and any part of your pension was from a taxed source, 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), that has a taxed component and your late spouse was under 60. You will receive this 15% offset until you are 60 years old. Once you turn 60, no tax will be deducted for this component.

- are an invalidity pension recipient that meets the definition of receiving a disability superannuation benefit as per Section 995-1 of the ITAA 1997. Under the Act a disability superannuation benefit is one where:

  a) the benefit is paid to an individual because he or she suffers from ill–health (whether physical or mental)

  and

  b) two legally qualified medical practitioners have certified that, because of the ill–health, it is unlikely that the individual can ever be gainfully employed in a capacity for which he or she is reasonably qualified because of education, experience or training.

- are in receipt of a benefit that is classed as an income stream for tax purposes.

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

A 10% tax offset is available (limited to the Defined Benefit Income Cap) 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.

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

How can I get more information?

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