



MACQUARIE

# Big Black Book 2020/21

**Comprehensive facts and figures  
for financial advisers**

MACQUARIE TECHNICAL ADVICE SERVICES

October 2020

# Big Black Book

The Macquarie Technical Advice Services Big Black Book is an extensive reference tool containing financial planning related facts and figures for the use of financial services professionals.

The Big Black Book covers key rules, rates and thresholds relating to:

- Personal taxation
- Family assistance
- Insurance
- Superannuation accumulation phase
- Self managed super funds (SMSF)
- Superannuation - access to benefits
- Superannuation pension phase
- Superannuation benefits tax
- Superannuation and estate planning
- Social security and aged care

## Little Black Book

A quick reference tool is available to download free for both Android and Apple devices.

The app includes embedded calculators to assist with simple tax and social security related calculations, as well as a news service that will be frequently updated with technical developments that may have an impact on financial services professionals

To have the essential facts and figures that you need on a daily basis at your fingertips, download the app now. We hope you find it a valuable tool.

Download the Little Black Book

---



### Disclaimer:

This information is intended for the use of financial services professionals. It is general in nature and does not take into account any individuals personal circumstances, financial needs or objectives, and we strongly recommend that clients consult with their financial adviser and read the relevant Product Disclosure Statement before making a decision about a financial product or class of financial products.

This document dated 6 October 2020 issued by Macquarie Investment Management Limited ABN 66 002 867 003 AFSL 237 492 RSEL L0001281 (MIML) is not to be treated as tax or legal advice.

The product disclosure statements for any of our products are available from us.

The information provided here is given in good faith and is believed to be accurate and reliable based on our understanding of the law and administrative practices of the relevant regulators as at the date of publication. However, where it includes information provided by third parties which we are not able to independently verify, we do not accept responsibility for errors or omissions by those third parties. This information is provided by MIML for information only. We will not be liable for any losses arising from reliance on this information.

MIML is not an authorised deposit taking institution for the purposes of the Banking Act (Cth) 1959, and other than as expressly set out in the applicable PDS or other offer document, MIML's obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542. Macquarie Bank Limited does not guarantee or otherwise provide assurance in respect of the obligations of MIML.

# Table of Contents

<b>Big Black Book</b>	2	Claiming tax deductions - personal super contributions	39
Little Black Book	2	Fund tax treatment of contributions	40
<b>Personal taxation</b>	5	Contributions tax for higher income earners	41
Personal income tax rates	5	Superannuation Guarantee (SG)	42
Minor tax rates	6	Fund choice and portability	43
Medicare levy and surcharge	7	Foreign superannuation transfers	44
Residency tests	8	Spouse contribution splitting	45
Withholding tax for non-resident investors	8	<b>Self managed superannuation funds (SMSFs)</b>	46
Higher Education Loan Program (HELP)	10	Membership and trustee rules	46
Personal tax offsets	11	Sole purpose test	46
Capital Gains Tax (CGT) calculation method	13	Super fund residency	47
Termination of employment	14	Acquiring assets from related parties	48
Employment Termination Payments (ETPs)	15	In-house assets	49
Other general taxation information	16	Collectables and personal use assets	49
Interest rates	17	Related parties	50
Fringe benefits tax	17	Limited Recourse Borrowing Arrangements	51
Consumer Price Index (CPI) figures	20	Other SMSF investment rules	52
Average Weekly Ordinary Time Earnings (AWOTE)	21	<b>Superannuation - access to benefits</b>	53
<b>Family assistance</b>	22	Preservation	53
Family tax benefit	22	Conditions of release (COR)	54
Paid parental leave	24	Temporary residents	56
Child Care	25	Small and insoluble accounts	57
Single income family supplement	27	Family law splitting	58
<b>Insurance</b>	28	First Home Super Saver Scheme	59
Life insurance	28	<b>Superannuation pension phase</b>	60
Total and permanent disability (TPD) insurance	29	Account based pensions (ABPs)	60
Trauma insurance	30	Transition to retirement pensions	61
Income protection and business expenses insurance	31	Transfer balance cap	61
Insurance within superannuation	31	Allocated Pension - payment factors	65
Deductibility of TPD insurance premiums in super	32	Term Allocated Pension (TAP)	69
<b>Superannuation accumulation phase</b>	33	Australian Life Tables	71
Contribution eligibility	33	<b>Superannuation benefits tax</b>	73
Contribution caps	34	Calculation of tax components	73
Historical contribution caps	37	What is a 'superannuation interest'?	74
Government co-contribution	38	Tax treatment of lump sum member benefits	75
Low income super tax offset	38	Tax treatment of income stream member benefits	76

Disability superannuation benefits	77	Age Pension ages	82
Terminal illness benefits	77	Service Pension ages (Veterans)	82
Departing Australia Super Payments	77	Age Pension	83
<b>Superannuation and estate planning</b>	<b>78</b>	Superannuation accumulation assessment	85
Tax treatment of lump sum death benefits	78	Superannuation income stream assessment	86
Death benefit income streams	79	Assessment of other assets	87
Definitions of dependant	80	Commonwealth Seniors Health Card	87
Definitions of spouse, child and interdependency	80	Pension loans scheme	88
Tax free income thresholds – if sole source of income	81	Residential aged care	89
<b>Social security and aged care</b>	<b>82</b>	Glossary	92

# Personal taxation

## Personal income tax rates

1 July 2017 – 30 June 2018

Taxable income	Tax payable* - residents	Tax payable – non-residents <sup>1</sup>
Up to \$18,200	Nil	
\$18,201 - \$37,000	Nil + 19%	32.5%
\$37,001 - \$87,000	\$3,572 + 32.5%	
\$87,001 - \$180,000	\$19,822 + 37%	\$28,275 + 37%
Above \$180,000	\$54,232 + 45%	\$62,685 + 45%

1 July 2018 – 30 June 2022 (including 2020/21)<sup>2</sup>

Taxable income	Tax payable* - residents	Tax payable – non-residents <sup>Error! Bookmark not defined.</sup>
<b>Up to \$18,200</b>	<b>Nil</b>	
<b>\$18,201 - \$37,000</b>	<b>Nil + 19%</b>	<b>32.5%</b>
<b>\$37,001 - \$90,000</b>	<b>\$3,572 + 32.5%</b>	
<b>\$90,001 - \$180,000</b>	<b>\$20,797 + 37%</b>	<b>\$29,250 + 37%</b>
<b>Above \$180,000</b>	<b>\$54,097 + 45%</b>	<b>\$62,550 + 45%</b>

1 July 2022<sup>3</sup> – 30 June 2024

Taxable income	Tax payable* - residents	Tax payable – non-residents <sup>Error! Bookmark not defined.</sup>
Up to \$18,200	Nil	
\$18,201 - \$45,000	Nil + 19%	32.5%
\$45,001 - \$120,000	\$5,092 + 32.5%	
\$120,001 - \$180,000	\$29,467 + 37%	\$39,000 + 37%
Above \$180,000	\$51,667 + 45%	\$61,200 + 45%

1 July 2024 – 30 June 2025

Taxable income	Tax payable* - residents	Tax payable – non-residents <sup>Error! Bookmark not defined.</sup>
Up to \$18,200	Nil	
\$18,201 - \$45,000	Nil + 19%	30%
\$45,001 - \$200,000	\$5,092 + 30%	
Above \$200,000	\$51,592 + 45%	\$60,000 + 45%

\* Plus Medicare levy.

<sup>1</sup> For working holiday makers, 15% tax applies to the first \$37,000 of income until 30 June 2022 (increasing to \$41,000 from 1 July 2022), with normal rates and thresholds applying thereafter.

<sup>2</sup> In the 2020 Federal Budget, the Government proposed to bring forward the end date of these rates and thresholds by two years to 30 June 2020. Not law at time of writing.

<sup>3</sup> In the 2020 Federal Budget, the Government proposed to bring forward the commencement of these rates and thresholds by two years to 1 July 2020. The Government has indicated that the end date of 30 June 2024 for these rates and thresholds will not change. Not law at time of writing.

## Minor tax rates

1 July 2020 – 30 June 2021

Eligible taxable income or unearned income derived by a minor (i.e. a child under age 18) is subject to special tax rates. The low income tax offset and new low and middle income tax offset cannot be used to reduce tax payable on unearned income.

Eligible taxable income	Tax payable
Up to \$416	Nil
\$417 - \$1,307	Greater of: <ul style="list-style-type: none"><li>● 66% of excess over \$416 or</li><li>● difference between tax payable at ordinary tax rates on whole of taxable income and tax on taxable income other than the eligible taxable income at ordinary tax rates</li></ul>
Above \$1,307	45%* of eligible taxable income

\* Plus Medicare levy.

# Medicare levy and surcharge

## Medicare levy thresholds

1 July 2019 – 30 June 2020

Medicare levy is based on taxable income (excluding the taxable component of a superannuation lump sum taxed at 0%). Individuals with taxable income above the upper threshold for singles may be eligible for a Medicare Levy reduction based on family income where they have a spouse or dependent children.

Rates and thresholds below are applicable in 2019/20. Thresholds for the current year (ie 2020/21) are typically not released until the following year's Federal Budget.

Singles	Families (combined income)	Medicare levy rate
Up to \$22,801	Up to \$38,474 <sup>4</sup>	Nil
\$22,802 - \$28,501	\$38,475 <sup>4</sup> - \$48,092 <sup>5</sup>	10% of taxable income between thresholds
Above \$28,501	Above \$48,092 <sup>5</sup>	2% of taxable income

Eligible for Seniors and Pensioners Tax Offset		Medicare levy rate
Up to \$36,056	Up to \$50,191 <sup>4</sup>	Nil
\$36,057 - \$45,069	\$50,192 <sup>4</sup> - \$62,739 <sup>5</sup>	10% of taxable income between thresholds
Above \$45,069	Above \$62,739 <sup>5</sup>	2% of taxable income

## Medicare levy surcharge

1 July 2020 - 30 June 2021

Medicare levy surcharge may apply to singles and couples who do not have adequate private health cover.

*Income for surcharge purposes* (refer to page 92) is used to determine liability for Medicare levy surcharge. The amount of surcharge payable is calculated on taxable income (excluding assessable income from the taxable component of a superannuation lump sum where the tax rate is 0%) plus reportable fringe benefits total.

Income thresholds are typically indexed on 1 July with AWOTE. Indexation has been paused for a number of years and recommences from 1 July 2021.

Singles	Families (combined income)	Medicare levy surcharge
Up to \$90,000	Up to \$180,000	Nil
\$90,001 - \$105,000	\$180,001 - \$210,000	1.00%
\$105,001 - \$140,000	\$210,001 - \$280,000	1.25%
Above \$140,000	Above \$280,000	1.50%

The family thresholds increase by \$1,500 for each dependent child after the first.

<sup>4</sup> Plus \$3,533 for each dependent child or student.

<sup>5</sup> Plus \$4,416 for each dependent child or student

## Residency tests

The tests outlined in the table below are used to determine residency.

[Taxation Ruling IT 2650](#) suggests the first two tests ('resides' and 'domicile') are usually the most relevant, and that a period of absence from Australia of more than 2 years would generally be regarded as a substantial period of time to support establishing a permanent abode outside Australia. The duration of the taxpayer's stay overseas is not of itself conclusive and must be considered with all the other factors.

Test	Detail	When to apply
Resides	Broad definition of the term within ordinary concepts	Primary test: if person 'resides' in Australia according to ordinary meaning of the word, no need to apply other 3 tests
Domicile	If permanent place of abode (home) is in Australia	Secondary / statutory tests: extends the class of persons who are treated as residents beyond those who 'reside' in Australia
183 day rule	If present in Australia for more than 183 days	
Superannuation	If person is a member of certain Commonwealth superannuation funds or an eligible Commonwealth government employee. Also covers person's spouse or child under 16	

## Withholding tax for non-resident investors

Non-residents are taxed, in Australia, only on certain types of income sourced in Australia. Non-residents are only subject to CGT in relation to certain assets. Broadly, for CGT events on or after 12 December 2006, a non-resident can only make a capital gain/loss if the relevant asset is 'taxable Australian property'.

Category		Country with DTA <sup>6</sup>	Country with no DTA			
Interest		10% <sup>7</sup>	10% <sup>7</sup>			
Franked dividends		0%	0%			
Unfranked dividends		15% <sup>7</sup>	30% <sup>7</sup>			
Direct or indirect interest in Taxable Australian Real Property (TARP) or option/right to acquire a TARP interest	Applies where: <ul style="list-style-type: none"> <li>• seller is foreign resident, and</li> <li>• market value of TARP is \$750,000 or more</li> </ul>	<ul style="list-style-type: none"> <li>• Purchaser required to withhold 12.5%<sup>8</sup> of purchase price and remit to ATO</li> </ul>				
Taxable Australian real property gains and Australian other income	Payments from entities other than Managed Investment Trusts (MITs) <sup>8</sup>	<ul style="list-style-type: none"> <li>• Non-resident tax rates for individuals</li> <li>• Company tax rate for corporates</li> <li>• 45% for non-resident trustee beneficiaries</li> </ul>				
	MIT distributions 2012/13 and later	<table border="1"> <thead> <tr> <th>Country with EOI<sup>9</sup></th> <th>Country with no EOI<sup>9</sup></th> </tr> </thead> <tbody> <tr> <td>15%<sup>7</sup></td> <td>30%<sup>7</sup></td> </tr> </tbody> </table>	Country with EOI <sup>9</sup>	Country with no EOI <sup>9</sup>	15% <sup>7</sup>	30% <sup>7</sup>
Country with EOI <sup>9</sup>	Country with no EOI <sup>9</sup>					
15% <sup>7</sup>	30% <sup>7</sup>					

<sup>6</sup> General rates of withholding tax only. Individual DTA with Australia may specify a rate other than that quoted. Where available, refer to the DTA of the country in which the taxpayer is a resident to confirm the correct rate of withholding.

<sup>7</sup> Represents a final tax and does not generate an allowable credit when an income tax return is lodged in Australia.

<sup>8</sup> Non-final withholding tax generates an allowable credit when an income tax return is lodged. If purchase price is more or less than market value, seller is taken to have received market value for the purposes of determining their tax liability.

<sup>9</sup> The rate of withholding on TARP capital gains and Australian other income is dependent upon whether Australia has an Exchange of Information (EOI) agreement in place with the non-resident's country of residence.



Countries with Double Tax Agreements (DTA) and Exchange of Information (EOI)<sup>10</sup> agreements with Australia

Albania <sup>11</sup>	Croatia <sup>11</sup>	Israel	Nigeria <sup>11</sup>	St Lucia <sup>11</sup>
Andorra <sup>11</sup>	Cyprus <sup>11</sup>	Italy	Niue <sup>11</sup>	St Kitts and Nevis <sup>11</sup>
Anguilla <sup>11</sup>	Curacao <sup>11</sup>	Japan	Norway	St Vincent and
Antigua and Barbuda <sup>11</sup>	Czech Republic	Jersey <sup>11</sup>	Pakistan <sup>11</sup>	Sweden
Argentina	Denmark	Kazakhstan <sup>11</sup>	Panama <sup>11</sup>	Switzerland
Aruba <sup>11</sup>	Dominica <sup>11</sup>	Kenya <sup>11</sup>	Papua New Guinea	Taipei
Austria	Estonia <sup>11</sup>	Kiribati	Peru <sup>11</sup>	Thailand
Azerbaijan <sup>11</sup>	Faroe Islands <sup>11</sup>	Latvia <sup>11</sup>	Philippines	Tunisia <sup>11</sup>
Bahamas <sup>11</sup>	Fiji	Lebanon <sup>11</sup>	Poland	Turkey
Bahrain <sup>11</sup>	Finland	Liberia <sup>11</sup>	Portuga <sup>11</sup>	Turks and Caicos Islands <sup>11</sup>
Barbados <sup>11</sup>	France	Liechtenstein <sup>11</sup>	Qatar <sup>11</sup>	Uganda <sup>11</sup>
Belgium	Georgia <sup>11</sup>	Lithuania <sup>11</sup>	Romania	Ukraine <sup>11</sup>
Belize <sup>11</sup>	Germany	Luxembourg <sup>11</sup>	Russia	United Arab Emirates <sup>11</sup>
Bermuda <sup>11</sup>	Ghana <sup>11</sup>	Macau <sup>11</sup>	Samoa <sup>11</sup>	United Kingdom
Brazil <sup>11</sup>	Gibraltar <sup>11</sup>	Malaysia	San Marino <sup>11</sup>	United States
British Virgin Islands <sup>11</sup>	Greece	Malta	Saudi Arabia <sup>11</sup>	Uruguay <sup>11</sup>
Brunei <sup>11</sup>	Greenland <sup>11</sup>	Marshall Islands <sup>11</sup>	Senegal <sup>11</sup>	Vanuatu <sup>11</sup>
Bulgaria <sup>11</sup>	Grenada <sup>11</sup>	Mauritius <sup>11</sup>	Seychelles <sup>11</sup>	Vietnam
Cameroon <sup>11</sup>	Guatemala <sup>11</sup>	Mexico	Singapore	
Canada	Guernsey <sup>11</sup>	Moldova <sup>11</sup>	Sint Maarten <sup>11</sup>	
Cayman Islands <sup>11</sup>	Hungary	Monaco <sup>11</sup>	Slovakia	
Chile	Iceland <sup>11</sup>	Montserrat <sup>11</sup>	Slovenia <sup>11</sup>	
China	India	Nauru <sup>11</sup>	South Africa	
Colombia <sup>11</sup>	Indonesia	Netherlands	South Korea	
Cook Islands <sup>11</sup>	Ireland	Netherlands	Spain	
Costa Rica <sup>11</sup>	Isle of Man <sup>11</sup>	New Zealand	Sri Lanka	

<sup>10</sup> In the 2020 Federal Budget, the Government proposed to update the list of jurisdictions that have an EOI agreement with Australia. From 1 July 2021, Dominican Republic, Ecuador, El Salvador, Hong Kong, Jamaica, Kuwait, Morocco, North Macedonia and Serbia will be added, and Kenya will be removed.

<sup>11</sup> Has an EOI but not a DTA with Australia.

## Higher Education Loan Program (HELP)

HELP repayments are calculated on repayment income, which is taxable income plus any total net investment loss, reportable fringe benefits total, *reportable super contributions* (refer to page 92) and exempt foreign employment income.

Australians who are living overseas for six months or more will also be required to make HELP repayments if their worldwide income exceeds the minimum payment threshold as it applies within Australia.

Rate of repayment (applied to repayment income)	2019/20 Repayment income	2020/21 Repayment income
Nil	Less than \$45,881	Less than \$46,620
1.0%	\$45,881 - \$52,973	\$46,620 - \$53,826
2.0%	\$52,974 - \$56,151	\$53,827 - \$57,055
2.5%	\$56,152 - \$59,521	\$57,056 - \$60,479
3.0%	\$59,522 - \$63,092	\$60,480 - \$64,108
3.5%	\$63,093 - \$66,877	\$64,109 - \$67,954
4.0%	\$66,878 - \$70,890	\$67,955 - \$72,031
4.5%	\$70,891 - \$75,144	\$72,032 - \$76,354
5.0%	\$75,145 - \$79,652	\$76,355 - \$80,935
5.5%	\$79,653 - \$84,432	\$80,936 - \$85,792
6.0%	\$84,433 - \$89,498	\$85,793 - \$90,939
6.5%	\$89,499 - \$94,868	\$90,940 - \$96,396
7.0%	\$94,869 - \$100,560	\$96,397 - \$102,179
7.5%	\$100,561 - \$106,593	\$102,180 - \$108,309
8.0%	\$106,594 - \$112,989	\$108,310 - \$114,707
8.5%	\$112,990 - \$119,769	\$114,708 - \$121,698
9.0%	\$119,770 - \$126,955	\$121,699 - \$128,999
9.5%	\$126,956 - \$134,572	\$129,000 - \$136,739
10.0%	\$134,573 and above	\$136,740 and above

# Personal tax offsets

## Low Income Tax Offset (LITO)

From 1 July 2022, the existing LITO and low and middle income tax offset (LAMITO, see below) will be merged into a new LITO.

Thresholds based on taxable income	2020/21	2022/23 <sup>12</sup>
Income assessed	Taxable income	
Max offset	\$445	\$700
Shade-out threshold 1	\$37,000	\$37,500
Rate of reduction above threshold 1	\$0.015 per \$1.00 above \$37,000	\$0.05 per \$1.00 above \$37,500
Shade-out threshold 2	N/A	\$45,000
Rate of reduction above threshold 2		\$0.015 per \$1.00 above \$45,000
Cut-out threshold	\$66,667	\$66,667
Effective tax-free threshold	\$21,884 (includes LAMITO)	\$21,884

70% of LITO entitlement is delivered through regular pay. The remaining 30% is paid as a lump sum on assessment of the taxpayer's income tax return.

## Low and Middle Income Tax Offset (LAMITO)

LAMITO is a new non-refundable tax offset that was introduced with effect from 1 July 2018 until 30 June 2022. Entitlement to LAMITO is in addition to the existing LITO.

	1 July 2020 – 30 June 2022
Income assessed	Taxable income
Eligibility criteria	Individual must: <ul style="list-style-type: none"> <li>be an Australian resident</li> <li>have taxable income less than \$126,000</li> </ul>
Taxable Income	LAMITO Entitlement
\$0 – \$37,000	\$255
\$37,001 – \$48,000	\$255 plus \$0.075 per \$1.00 of income above \$37,000
\$48,001 – \$90,000	\$1,080
\$90,001 – \$126,000	\$1,080 reduced by \$0.03 per \$1.00 of income above \$90,000
More than \$126,000	Nil

<sup>12</sup> In the 2020 Federal Budget, the Government proposed to bring forward the commencement of this change to LITO to 1 July 2020. Not law at time of writing.

## Seniors and Pensioners Tax Offset (SAPTO)

1 July 2020 - 30 June 2021

	Singles	Couples (each)
Income assessed	<i>Rebate income</i> – see page 92	
Maximum offset	\$2,230	\$1,602
Shade-out threshold	\$32,279	\$28,974
Cut-out threshold	\$50,119	\$41,790
Rate of reduction	\$0.125 per \$1.00 above shade-out threshold	
Eligibility criteria	Either: <ul style="list-style-type: none"> <li>reached Age/Service Pension age, and</li> <li>meet eligibility requirements for a Government pension or similar</li> </ul> Or <ul style="list-style-type: none"> <li>receiving certain taxable Government payments</li> </ul>	

## Spouse contribution tax offset

	2020/21
Income assessed	Based on spouse's: <ul style="list-style-type: none"> <li>assessable income</li> <li>reportable fringe benefits total</li> <li>reportable employer superannuation contributions – see page 92</li> </ul>
Less than \$37,000	18% of the lower of: <ul style="list-style-type: none"> <li>total spouse contributions for the income year; and</li> <li>\$3,000</li> </ul>
\$37,000 - \$39,999	18% of the lower of: <ul style="list-style-type: none"> <li>total spouse contributions for the income year; and</li> <li>\$3,000 – (receiving spouse income - \$37,000)</li> </ul>
\$40,000 and above	Nil
Eligibility criteria	Spouse must not have: <ul style="list-style-type: none"> <li>excess non-concessional contributions for the financial year</li> <li>a <i>total superannuation balance</i> (see page 92) that equals or exceeds the general <i>transfer balance cap</i> (see page 61) as at 30 June of the prior financial year</li> </ul>

## Private health insurance rebate

1 April 2020 – 31 March 2021

The private health insurance rebate is means tested based on a taxpayer's *income for surcharge purposes* (see page 92). The amount of private health insurance rebate will be reduced where income is above the Medicare levy surcharge thresholds.

Income thresholds are typically indexed on 1 July with AWOTE. Indexation has been paused for a number of years and recommences from 1 July 2021. The rebate percentage is adjusted annually on 1 April.

Income for surcharge purposes		Private health insurance rebate		
Singles	Families (combined income)	Under 65	65 - 69	70+
Up to \$90,000	Up to \$180,000	25.059%	29.236%	33.413%
\$90,001 - \$105,000	\$180,001 - \$210,000	16.706%	20.883%	25.059%
\$105,001 - \$140,000	\$210,001 - \$280,000	8.352%	12.529%	16.706%
Above \$140,000	Above \$280,000	0%	0%	0%

The family thresholds increase by \$1,500 for each dependent child after the first.

## Capital Gains Tax (CGT) calculation method

Purchased	Capital gain treatment
Prior to 20 September 1985	Capital gain disregarded
From 20 September 1985 and prior to 11.45 am 21 September 1999	Net capital gain calculated using indexed cost base method (indexation frozen at Sept 1999) <sup>13</sup> OR Discount Method (see below)
From 11.45 am 21 September 1999	<ul style="list-style-type: none"> <li>Capital losses - may be used to reduce pre-discounted capital gains attributable to assets held for either less than or more than 12 months</li> <li>Assets held less than 12 months - gain is calculated by deducting cost base from proceeds</li> <li>Discount Method (Assets held 12+ months) - net capital gain may be discounted by 50%<sup>14</sup> (individuals or trusts)<sup>15</sup> or 33 1/3% (complying super funds)</li> </ul>

<sup>13</sup> Refer to table below for CPI indexation figures.

<sup>14</sup> An additional CGT discount of up to 10% is available for residents who invest directly or through a trust in residential property that is used to provide affordable housing for at least 3 years from 1 January 2018.

<sup>15</sup> The 50% discount on capital gains is not available for non-residents in relation to capital gains accrued after 7.30pm (AEST) on 8 May 2012. The CGT discount will remain available for capital gains accrued prior to this time where non-residents choose to obtain a market valuation of assets as at 8 May 2012.

# Termination of employment

## Accrued annual leave

Payment type	Assessable	Maximum tax rate
Resignation/retirement		
To 17 August 1993	100%	30%*
From 18 August 1993	100%	Marginal tax rate*
Genuine redundancy/invalidity/early retirement	100%	30%*

\* Plus Medicare levy.

## Accrued long service leave

Payment type	Assessable	Maximum tax rate
Resignation/retirement		
To 15 August 1978	5%	Marginal tax rate*
16 August 1978 – 17 August 1993	100%	30%*
From 18 August 1993	100%	Marginal tax rate*
Genuine redundancy/invalidity/early retirement		
To 15 August 1978	5%	Marginal tax rate*
From 16 August 1978	100%	30%*

\* Plus Medicare levy.

The unused annual/long service leave amounts are added to the taxpayer's assessable income. The taxpayer receives a tax offset to ensure the effective tax rate does not exceed the maximum rate shown above.

## Genuine redundancy payments

The tax-free portion of a genuine redundancy payment is calculated outlined in the table below. An amount above the tax-free portion is an Employment Termination Payment.

2019/20	2020/21
\$10,638 plus \$5,320 for every completed year of service	\$10,989 plus \$5,496 for every completed year of service

# Employment Termination Payments (ETPs)

## Life benefit ETPs

Life Benefit ETPs received in 2020/21 will be taxed as follows:

Age	Tax free component	Taxable component	
		Maximum tax rate	
Under preservation age	Non-assessable non-exempt income	30%* up to cap	
		45%* above cap	
Preservation age and over		15%* up to cap	
		45%* above cap	
Cap on taxable component			
If ETP relates to:			
<ul style="list-style-type: none"> <li>Genuine redundancy<sup>16</sup></li> <li>Early retirement schemes</li> <li>Invalidity</li> <li>Certain types of compensations</li> </ul>		\$215,000 <sup>17</sup> ETP cap	
For all other ETPs eg golden handshake or gratuity		Cap is the lesser of: <ul style="list-style-type: none"> <li>\$215,000<sup>17</sup> ETP cap, and</li> <li>\$180,000 less other taxable income<sup>18</sup></li> </ul>	

## Death benefit ETPs

Beneficiary	Tax free component	Taxable component	
		Maximum tax rate	Cap
Dependant (Tax definition - see page 80)	Non-assessable non-exempt income	NANE income up to cap	\$215,000
		45%* above cap	
Non-dependant		30%* up to cap	
		45%* above cap	

\*Plus Medicare levy.

<sup>16</sup> Includes payments that would otherwise qualify as a genuine redundancy except for the individual's age.

<sup>17</sup> Cap is reduced by the taxable component of previous ETPs related to the same termination and ETPs that were received in the same financial year.

<sup>18</sup> The \$180,000 whole of income cap is reduced by other taxable income (excluding the ETP) in the same financial year.

## Other general taxation information

### Life policy taxation

Investment earnings on a life assurance policy, also referred to as an insurance bond, are taxed at 30%. Additional tax may be payable for withdrawals within 10 years.

Annual contributions to the policy may be considered as part of the original investment, provided the amount is less than 125% of the previous year's contributions. Amounts greater than 125% will restart the 10 year period.

Year	Assessable Part	Tax offset
Within 8 years	All accumulated bonuses <sup>19</sup>	30% of assessable part <sup>20</sup>
During the 9th year	2/3 of accumulated bonuses <sup>19</sup>	
During the 10th year	1/3 of accumulated bonuses <sup>19</sup>	
After 10 years	Tax free	N/A

### Deductions for prepaid expenses

Deductions for prepaid expenses	
General deduction provisions	<ul style="list-style-type: none"> <li>Expenses incurred in gaining or producing assessable income are generally tax deductible</li> <li>Must not be capital, private or domestic in nature, or incurred in relation to producing non-assessable, non-exempt income</li> </ul>
12 month rule	<ul style="list-style-type: none"> <li>Individuals can claim an immediate deduction for up to 12 months of prepaid non-business expenses that are otherwise deductible eg interest paid in advance on an investment loan</li> <li>12 month period must end before the end of the next financial year</li> <li>Not available to superannuation funds, including SMSFs</li> </ul>

### Other entity taxation rates

Entity	Type	Tax treatment
Superannuation fund	Complying: <ul style="list-style-type: none"> <li>retirement phase (see page 92), and</li> <li>accumulation phase               <ul style="list-style-type: none"> <li>includes transition to retirement pensions not in retirement phase</li> </ul> </li> </ul>	0% 15%
	Non-complying	45%
Corporation	Corporate tax entity	30%
	Base rate entity: <ul style="list-style-type: none"> <li>entity that carries on a business with an aggregate turnover of less than \$50 million</li> <li>passive income must not be more than 80% of entity's total assessable income</li> </ul>	26% <sup>21</sup>

<sup>19</sup> Broadly, this is the growth in the value of the policy.

<sup>20</sup> Any excess offset can be used to reduce tax on other income.

<sup>21</sup> The corporate tax rate for base rate entities will reduce to 25% in 2021/22.



## Interest rates

Date	RBA Target Rate <sup>22</sup>	Date	Benchmark rate – capital protected borrowings <sup>23</sup>
From 20 Mar 2020	0.25%	From Mar 2020	6.10%
4 Mar 2020 – 19 Mar 2020	0.50%	Oct 2019 – Feb 2020	6.38%
Oct 2019 – Feb 2020	0.75%	Jul 2019 – Sep 2019	6.52%
Jul 2019 – Sep 2019	1.00%	Jun 2019 – Jun 2019	6.73%
Jun 2019 – Jun 2019	1.25%	Jan 2019 – May 2019	6.94%
Aug 2016 – May 2019	1.50%	Sep 2018 – Dec 2018	6.90%
May 2016 – Jul 2016	1.75%	May 2017 – Aug 2018	6.80%
May 2015 – Apr 2016	2.00%	Mar 2017 – Apr 2017	6.70%
Feb 2015 – Apr 2015	2.25%	Dec 2016 – Feb 2017	6.55%

## Fringe benefits tax

Fringe benefits tax is a tax that is payable by employers based upon certain benefits provided to employees or their associates. This information is subject to change each FBT year, which runs from 1 April to 31 March.

FBT	1 April 2020 – 31 March 2021
FBT Rate	47%
Record keeping exemption threshold	\$8,853
Type 1 gross-up rate	2.0802 (assumes provider entitled to GST input tax credits, 10% GST and 47% FBT rate)
Type 2 gross-up rate	1.8868 (47% FBT rate)
FBT exempt amount	<ul style="list-style-type: none"> <li>\$17,000 (Qualifying public or non-profit hospital, public ambulance service), or</li> <li>\$30,000 (Public benevolent institution or health promotion charity not covered by \$17,000 threshold)</li> </ul> <p>Note: salary packaged meal entertainment and entertainment facility leasing expense benefits are capped at \$5,000</p>
Reportable fringe benefit amount (RFBA)	\$2,000

Type	Description of taxable value
Car benefits	See page 19
Loan benefits	<ul style="list-style-type: none"> <li>The taxable value of a loan fringe benefit is the difference between a notional amount of interest (calculated on a daily balance of the loan) at the statutory rate and the actual amount of interest calculated on the loan</li> <li>Statutory benchmark for the FBT year commencing 1 April 2020 is 4.80%</li> </ul>
Debt waiver fringe benefits	<ul style="list-style-type: none"> <li>Taxable benefit arises where employer waives a debt of an employee</li> <li>The taxable value of the benefit is the amount of the debt waived</li> </ul>

<sup>22</sup> The rate banks charge each other for overnight borrowings (i.e. the cash rate).

<sup>23</sup> This is the maximum rate that can be claimed as an interest deduction for geared capital protected investments, calculated as the RBA Indicator Lending Rate for standard variable housing loans plus 1%. The ATO has issued a Determination confirming the Indicator Rate for standard variable housing loans for investors should be used from 11 September 2015. From February 2019, the RBA Indicator Rate was renamed Lending Rate and is no longer rounded to the nearest 5 basis points.

Type	Description of taxable value
Expense payment fringe benefits	<ul style="list-style-type: none"> <li>• Taxable benefit arises where employer pays or reimburses expenses incurred by an employee</li> <li>• Taxable value of expense payment fringe benefits is the amount of the expense paid by the employee but reimbursed by the employer</li> </ul>
Housing fringe benefits	<ul style="list-style-type: none"> <li>• Taxable benefit arises where employer grants an employee an housing right which must be greater than one day</li> <li>• The taxable value of the benefit depends on the location of the housing: <ul style="list-style-type: none"> <li>– for accommodation outside Australia, the taxable value will be the market value of the accommodation less any rent or consideration paid</li> <li>– for non-remote area housing in Australia, the taxable value is generally the 'statutory annual value' of the right to occupy the accommodation less any rent paid. In the first year, the 'statutory annual value' is the market value of the accommodation and in subsequent years it is indexed to CPI.</li> <li>– remote area housing in Australia is an exempt benefit provided certain criteria are met</li> </ul> </li> </ul>
Board fringe benefits	<ul style="list-style-type: none"> <li>• Board benefits arise when employees are entitled under an industrial award or employment arrangement to accommodation and two meals a day</li> <li>• Taxable value is \$2 per meal (if age 12 or more) or \$1 per meal (if under age 12) reduced by the amount of the recipients contribution</li> </ul>
Living away from home allowance (LAFHA) fringe benefits	<ul style="list-style-type: none"> <li>• LAFHA fringe benefit arises when an employer pays an employee an allowance to compensate for additional expenses because the employee is required to live away from home</li> <li>• The taxable value of LAFHA benefits provided is the amount of the allowance paid that exceeds the exempt accommodation component and any exempt food component. This applies for employees that meet the fly-in-fly out or drive-in-drive out requirements, or where the employee meets the following conditions: <ul style="list-style-type: none"> <li>– they maintain a home in Australia</li> <li>– the benefit relates to all or part of the first 12 months that the person is required to live away from home</li> <li>– they provide a declaration confirming the above</li> </ul> </li> <li>• In any other case, the taxable value of the LAFHA benefit is the amount of the benefit provided.</li> <li>• The ATO considers a reasonable amount for the food and drink component to be \$276 per week within Australia for one adult for FBT year commencing 1 April 2020</li> </ul>
Property fringe benefits	<ul style="list-style-type: none"> <li>• Property benefits arise when property is provided to an employee. The form of the property may take the form of goods, services, shares or rights and bitcoin</li> <li>• The taxable value of property benefits is the amount by which the arm's length cost of the goods provided exceeds the price charged to the employee</li> <li>• For in-house property benefits, the first \$1,000 of the taxable value for each employee will be exempt</li> </ul>
Entertainment fringe benefits	<p>The taxable value of meal entertainment fringe benefits is calculated by either:</p> <ul style="list-style-type: none"> <li>• the 50:50 method – one half of the expenses incurred is the taxable value of the benefits provided, or</li> <li>• the 12 week register method – taxable value is the total meal expenditure multiplied by the register percentage. The register percentage is the total percentage of meal entertainment benefits provided divided by total value of meal entertainment provided</li> </ul>
Car parking fringe benefits	<p>Taxable value of car parking benefit can be determined using any of the:</p> <ul style="list-style-type: none"> <li>• Commercial parking station method</li> <li>• Market value method</li> <li>• Average cost method</li> <li>• Statutory formula method</li> <li>• 12 week register method</li> </ul>
Residual fringe benefits	<ul style="list-style-type: none"> <li>• A residual benefit is one that is not covered by any of the above.</li> <li>• The taxable value of an in-house residual fringe benefit is 75% of the lowest price charged to the public. However, the first \$1,000 of the taxable value for each employee will be exempt.</li> <li>• For residual benefits that are not in-house benefits, the taxable value is the arm's length cost of the benefit to the employer less any amount paid</li> </ul>

## Car fringe benefits

Under the current car fringe benefit rules, the taxable value of a car fringe benefit can be calculated using either the statutory formula method or the operating cost method.

Method for determining taxable value	
Statutory formula method	<p>Taxable value of car fringe benefit = <math>\frac{ABC}{D} - E</math></p> <p>Where</p> <ul style="list-style-type: none"> <li>• A is base value of car</li> <li>• B is statutory rate (see table below)</li> <li>• C is number of days during the year on which a car fringe benefit was provided</li> <li>• D is the number of days during the year</li> <li>• E is the amount of any 'recipient's payment'</li> </ul>
Operating cost method	<p>Taxable value of car fringe benefit = <math>[C \times (100\% - BP)] - R</math></p> <p>Where:</p> <ul style="list-style-type: none"> <li>• C is operating cost of the car during the holding period</li> <li>• BP is the business use percentage applicable for the holding period</li> <li>• R is the amount of any recipient's payment attributable to the holding period</li> </ul> <p>Note - operating cost includes depreciation, which is calculated as:</p> <p>Depreciation = <math>\frac{abc}{d}</math></p> <p>Where:</p> <ul style="list-style-type: none"> <li>• a is the depreciated value</li> <li>• b is 0.25 for cars acquired on or after 10 May 2006 (0.1875 for cars acquired before 10 May 2006 but on or after 1 July 2002 and 0.225 otherwise)</li> <li>• c is the number of days car is held during the year</li> <li>• d is number of days in the year</li> </ul>

## Statutory rates

A flat statutory rate of 20% applies to all new contracts entered into after 7.30pm (AEST) on 10 May 2011. Changes for new contracts will be phased in over four years unless an employer elects not to apply the transitional arrangements. However, an employer cannot force an employee to move to the new rules where the employee would be directly worse off.

Annualised number of whole kilometres	Existing contracts prior to 10 May 2011	New contracts			
		From 10 May 2011	From 1 April 2012	From 1 April 2013	From 1 April 2014
Less than 15,000	0.26	0.20	0.20	0.20	0.20
15,000 - 24,999	0.20	0.20	0.20	0.20	0.20
25,000 - 40,000	0.11	0.14	0.17	0.20	0.20
More than 40,000	0.07	0.10	0.13	0.17	0.20

## Consumer Price Index (CPI) figures

Year	March	June	September	December
2020	116.6	114.4		
2019	114.1	114.8	115.4	116.2
2018	112.6	113.0	113.5	114.1
2017	110.5	110.7	111.4	112.1
2016	108.2	108.6	109.4	110.0
2015	106.8	107.5	108.0	108.4
2014	105.4	105.9	106.4	106.6
2013	102.4	102.8	104.0	104.8
2012	99.9	100.4	101.8	102
2011	98.3	99.2	99.8	99.8
2010	95.2	95.8	96.5	96.9
2009	92.5	92.9	93.8	94.3
2008	90.3	91.6	92.7	92.4
2007	86.6	87.7	88.3	89.1
2006	84.5	85.9	86.7	86.6
2005	82.1	82.6	83.4	83.8
2004	80.2	80.6	80.9	81.5
2003	78.6	78.6	79.1	79.5
2002	76.1	76.6	77.1	77.6
2001	73.9	74.5	74.7	75.4
2000	69.7	70.2	72.9	73.1
1999	67.8	68.1	68.7	69.1
1998	67.0	67.4	67.5	67.8
1997	67.1	66.9	66.6	66.8
1996	66.2	66.7	66.9	67.0
1995	63.8	64.7	65.5	66.0
1994	61.5	61.9	62.3	62.8
1993	60.6	60.8	61.1	61.2
1992	59.9	59.7	59.8	60.1
1991	58.9	59.0	59.3	59.9
1990	56.2	57.1	57.5	59.0
1989	51.7	53.0	54.2	55.2
1988	48.4	49.3	50.2	51.2
1987	45.3	46.0	46.8	47.6
1986	41.4	42.1	43.2	44.4

Source: ABS catalogue number 6401.0 – (All groups - weighted average of eight capital cities)

## Average Weekly Ordinary Time Earnings (AWOTE)

Year	March	June	September	December
2020	n/a	1,713.90	n/a	
2019	n/a	1,634.80	n/a	1,658.40
2018	n/a	1,585.30	n/a	1,605.50
2017	n/a	1,543.20	n/a	1,569.60
2016	n/a	1,516.00	n/a	1,533.40
2015	n/a	1,483.10	n/a	1,500.50
2014	n/a	1,454.10	n/a	1,477.00
2013	n/a	1,420.90	n/a	1,437.00
2012	1,348.10	1,349.20	n/a	1,396.00
2011	1,291.30	1,304.70	1,324.90	1,330.10
2010	1,243.90	1,250.10	1,258.80	1,275.20
2009	1,183.40	1,195.60	1,204.20	1,226.80
2008	1,124.80	1,131.10	1,151.40	1,165.30
2007	1,073.80	1,090.00	1,105.10	1,108.50
2006	1,037.50	1,041.60	1,053.00	1,058.60
2005	992.90	1,006.70	1,023.20	1,025.70
2004	947.80	949.50	962.90	976.40
2003	900.40	921.00	929.60	938.40
2002	860.50	866.80	879.40	889.60
2001	810.60	824.10	838.50	848.70
2000	774.80	784.20	796.10	800.40
1999	743.80	747.30	753.00	764.20
1998	721.30	725.20	735.40	742.70
1997	696.10	697.60	704.30	710.90
1996	665.80	671.20	674.60	685.50
1995	639.90	647.20	653.10	661.00
1994	612.30	616.90	620.00	629.90
1993	595.50	598.00	600.80	603.50
1992	588.80	587.30	585.70	586.90
1991	564.30	560.20	567.50	580.10
1990	524.80	534.50	541.70	554.40
1989	493.40	501.40	509.70	516.80
1988	458.80	465.60	470.10	484.50
1987	429.60	435.60	446.00	450.00
1986	404.90	408.30	419.80	428.40
1985	378.00	383.10	388.80	397.10
1984	353.60	364.90	369.40	375.20
1983	335.20	336.50	339.80	351.70
1982	293.50	306.00	317.70	331.50
1981	270.70	295.10	304.00	285.20
1980	245.70	256.70	268.10	289.10
1979	222.70	232.80	238.30	248.00
1978	205.20	215.50	218.90	229.10

Source: ABS catalogue number 6302.0

# Family assistance

## Family tax benefit<sup>1</sup>

### Family Tax Benefit (FTB) Part A eligibility

1 July 2020 – 30 June 2021

Income test	Maximum rate	Base rate
Income assessed	Family's <i>adjusted taxable income</i> – see page 92	
Income threshold	\$55,626	\$98,988
Reduction rate	Max rate reduced by \$0.20 per \$1.00 above threshold until base rate is reached	Base rate reduced by \$0.30 per \$1.00 above threshold until FTB Part A is no longer payable
Threshold indexation	Indexed each 1 July in line with CPI	Paused until 30 June 2021

### FTB Part A payment rates

FTB Part A supplement (see table below) may be payable after the end of the financial year. An energy supplement may also be payable to those continuously in receipt of FTB Part A from 19 September 2016.

1 July 2020 – 30 June 2021

For each child	Maximum rate per annum	Base rate per annum
Under 13 years	\$4,942.10	\$1,587.75
13 – 15 years	\$6,427.65	
16 – 19 years (if full time student)		
Child in an approved care organisation 0 – 19 years	\$1,587.75	N/A

### FTB Part A supplements

The following supplements may be payable in addition to the FTB Part A payment rates.

1 July 2020 – 30 June 2021

Supplement	Amount per annum
FTB Part A supplement	\$781.10 per child (where family's income is \$80,000 or less). Not payable to approved care organisations
Multiple birth allowance	\$4,270.50 for triplets \$5,690.35 for quadruplets or more

<sup>1</sup> In the 2020 Federal Budget, the Government announced the payment of two separate \$250 economic support payments for recipients of Family Tax Benefits. Payments are to be made from November 2020 and early 2021. Not law at time of writing.

## Family Tax Benefit (FTB) Part B eligibility

1 July 2020 – 30 June 2021

Income test	
Income assessed	<i>Adjusted taxable income</i> – see page 92
Phase-out threshold – secondary earner	\$5,767
Cut-out threshold – secondary earner, youngest child under age 5	\$28,671
Cut-out threshold – secondary earner, youngest child age 5 -18 years	\$22,338
Cut-out threshold – primary earner/sole parent	\$100,000
Reduction rate	Max rate reduced by \$0.20 per \$1.00 above secondary earner's phase-out threshold
Threshold indexation	Secondary earner thresholds indexed each 1 July in line with CPI. Primary earner threshold fixed until 30 June 2021

## FTB Part B payment rates

Individuals can choose to receive their FTB Part B payments fortnightly or annually. The FTB Part B supplement may be payable after the end of the financial year, depending on family income and circumstances. An energy supplement may also be payable to those continuously in receipt of FTB Part B from 19 September 2016.

FTB Part B is not payable to couple families (other than grandparents and great-grandparents) where the youngest child is aged 13 or over.

1 July 2020 – 30 June 2021

Age of youngest child	Under 5 years	Annual supplement
Under 5 years	\$4,201.15	\$379.60
5 – 15 years (or 16 – 18 if full time student)	\$2,934.60	

# Paid parental leave

1 July 2020 – 30 June 2021

	Parental Leave Pay (PLP)	Dad and Partner Pay (DAPP)
Eligibility criteria	Claimants of PLP or DAPP must have: <ul style="list-style-type: none"> <li>worked at least 10 of the 13 months before the birth, adoption or date of claim<sup>2</sup></li> <li>worked at least 330 hours in that 10 month period</li> <li><i>adjusted taxable income</i> (see page 92) of \$150,000<sup>3</sup> or less in the financial year prior to the date of birth, adoption or date of claim, and</li> <li>be an Australian resident</li> </ul>	
Who can claim?	A person who is the: <ul style="list-style-type: none"> <li>primary carer of a newborn or recently adopted child</li> </ul>	A person who is the: <ul style="list-style-type: none"> <li>biological father of the child</li> <li>partner of the child's mother (including same-sex partner), or</li> <li>adoptive parent of the child</li> </ul> And, who is: <ul style="list-style-type: none"> <li>providing care for a newborn or recently adopted child</li> </ul>
Impact of employment	Can be taken in conjunction with, or in addition to, employer-provided leave, but not while working	Can be taken in addition to employer-provided leave, but not at the same time as paid leave or while working
Maximum term	12 weeks payable within 12 months of birth or adoption, plus an additional 30 days payable within 24 months of birth or adoption	2 weeks
Amount	\$753.90 per week	
Tax Treatment	Assessable income	
Impact on other family benefits	Ineligible for FTB Part B on days in which PLP is payable	May continue to receive FTB

<sup>2</sup> In the 2020 Federal Budget, the Government proposed to relax the Paid Parental Leave work test for births and adoptions that occur between 22 March 2020 and 31 March 2021 to allow for the payment if they have worked in 10 of the last 20 months, instead of 10 of the last 13 months. Not law at time of writing.

<sup>3</sup> This threshold will remain fixed until 30 June 2021.



# Child Care

## Child care subsidy

13 July 2020 – 30 June 2021

Child care provided by an approved early childhood education and care service was free for families from 6 April 2020 until 12 July 2020. The child care subsidy (CCS) regime resumed on 13 July 2020. Eligibility for CCS is based on an income and activity test.

CCS may be supplemented by an Additional Child Care Subsidy to provide extra support for disadvantaged and vulnerable children.

Child care subsidy											
Income test											
Income assessed	<i>Adjusted taxable income</i> of claimant and partner (family income)										
Family Income											
Up to \$69,390	85%										
\$69,391 - \$174,389	85% reduced by 1% per \$3,000 of income above \$69,390										
\$174,390 - \$253,679	50%										
\$253,680 - \$343,679	50% reduced by 1% per \$3,000 of income above \$253,679										
\$343,680 - \$353,679	20%										
\$353,680 and above	Nil										
Activity Test											
Activity test	<p>Claimant must engage in:</p> <ul style="list-style-type: none"> <li>paid work, including paid and unpaid leave</li> <li>self-employment</li> <li>a training course to improve work skills or employment prospects</li> <li>an approved course of education or study</li> <li>unpaid work experience</li> <li>unpaid work in a family business</li> <li>voluntary work</li> <li>activity related to looking for work</li> <li>activity related to setting up a business</li> </ul> <p>Activity specific conditions and time limits apply in some cases.</p> <p>Max hours of CCS is based on hours of claimant's activity. For a couple, max hours of CCS is based on partner with lower hours of activity.</p> <p>Families with annual income of \$69,390 or less can access up to 24 hours per fortnight of subsidised care without meeting the activity test.</p>										
	<table border="1"> <thead> <tr> <th>Hours of activity pf</th> <th>Max hours of CCS pf</th> </tr> </thead> <tbody> <tr> <td>Less than 8 hours</td> <td>Nil</td> </tr> <tr> <td>8 – 16 hours</td> <td>36 hours</td> </tr> <tr> <td>16- 48 hours</td> <td>72 hours</td> </tr> <tr> <td>More than 48 hours</td> <td>100 hours</td> </tr> </tbody> </table>	Hours of activity pf	Max hours of CCS pf	Less than 8 hours	Nil	8 – 16 hours	36 hours	16- 48 hours	72 hours	More than 48 hours	100 hours
Hours of activity pf	Max hours of CCS pf										
Less than 8 hours	Nil										
8 – 16 hours	36 hours										
16- 48 hours	72 hours										
More than 48 hours	100 hours										
Activity and max CCS hours											

CCS hourly rate cap		
Care provided by ...	Hourly rate cap (per child)	Annual subsidy cap
Centre-based day care	\$12.20 per hour (below school age) \$10.67 per hour (school age)	\$10,560 per child where family income exceeds \$189,390
Family day care	\$11.30 per hour	
Outside school hours care	\$12.20 per hour (below school age) \$10.67 per hour (school age)	
In-home care <sup>4</sup>	\$33.17 per hour per family	

## Calculating weekly child care subsidy

Step	Description
1	<b>Activity test:</b> Work out the maximum number of hours in which CCS is payable (Max hours of CCS) based on claimant and their partner's activity for the relevant fortnight. If nil, CCS for the fortnight is nil.
2	<b>Annual subsidy cap:</b> Work out whether the annual subsidy cap applies. If cap has been reached, CCS is nil.
3	<b>Eligible care sessions:</b> Identify all sessions of care for the week for which the claimant is eligible for CCS.
4	<b>CCS hourly rate:</b> Work out the hourly rate of CCS (ie applicable CCS percentage based on family income x lesser of actual hourly fee and CCS hourly cap) for the eligible care session.
5	<b>Activity tested amount:</b> For each session of care, the activity tested amount is the CCS hourly rate (step 4) multiplied by the lesser of: <ul style="list-style-type: none"> <li>number of hours in the eligible care session</li> <li>balance of activity test result (step 1 reduced by earlier sessions of care in the fortnight where claimant or partner were entitled to CCS)</li> </ul>
6	<b>CCS amount:</b> Lesser of: <ul style="list-style-type: none"> <li>activity tested amount (from step 5), or</li> <li>annual subsidy cap (if applicable) less previous CCS amounts received in financial year</li> </ul>

<sup>4</sup> Additional criteria for in-home care apply. The subsidy for in-home care is intended to support workforce participation and child care requirements where other options are not available or appropriate.

## Single income family supplement

Eligible individuals who are receiving family tax benefit (FTB) will not need to make a claim for SIFS as the payment will be automatically calculated and included in their entitlement at the end of the year. Eligible individuals who are not receiving FTB will need to apply to receive this payment.

Single income family supplement (SIFS)	1 July 2020 – 30 June 2021
Income assessed	Taxable income
Tax treatment	Tax exempt
Eligibility criteria	<p>Claimant must:</p> <ul style="list-style-type: none"> <li>• have been eligible for SIFS since 30 June 2017</li> <li>• have a least one qualifying FTB child</li> <li>• be an Australian resident or be special category visa holder, and</li> <li>• not be an absent overseas recipient</li> </ul>
Primary earner income test	
Less than \$68,000	Nil
\$68,000 - \$79,999	\$0.025 per \$1.00 of income above \$68,000
\$80,000 - \$120,000	\$300
\$120,001 - \$149,999	\$300 reduced by \$0.01 per \$1.00 above \$120,000
\$150,000 and above	Nil
Secondary earner income test	
Income limit	\$18,000
Rate of reduction	SIFS calculated under primary earner income test is further reduced by \$0.15 per \$1.00 of secondary earner's taxable income above \$16,000

# Insurance

## Life insurance

Ownership/Purpose	Tax treatment	
	Premiums	Benefits
Individual for personal purposes – premiums paid by individual	Non-deductible	<ul style="list-style-type: none"> <li>Generally a capital payment - CGT exempt if paid to original policy owner or policy acquired for no consideration</li> </ul>
Individual for personal purposes – premiums paid by employer	Fringe benefits tax (FBT) may apply - premium and FBT (if any) are generally deductible to employer	<ul style="list-style-type: none"> <li>Generally a capital payment - CGT exempt if paid to original policy owner or policy acquired for no consideration</li> </ul>
Trustee of super fund to provide benefits for insured member/death benefits <sup>1</sup>	Deductible <sup>2</sup>	<p>Payment to fund:</p> <ul style="list-style-type: none"> <li>generally a capital payment - CGT exempt</li> </ul> <p>Payment from fund:</p> <ul style="list-style-type: none"> <li>subject to a condition of release being met (see page 54)</li> <li>taxed as lump sum death benefit or death benefit income stream (see pages 78-79)</li> <li>tax free if paid to member because of terminal medical condition (see page 77)</li> </ul>
Trustee of super fund for other purposes eg liquidity/debt repayment <sup>1</sup>	Non-deductible	<p>Payment to fund:</p> <ul style="list-style-type: none"> <li>generally a capital payment - CGT exempt</li> </ul> <p>There may be further tax consequences depending on use of payment within the fund</p>
Business entity for revenue purposes eg key person revenue cover	Deductible	<ul style="list-style-type: none"> <li>Generally ordinary income of business entity</li> </ul>
Business entity or individual for capital purposes eg buy/sell agreements	Non-deductible	<ul style="list-style-type: none"> <li>Generally a capital payment - CGT exempt if paid to original beneficial owner or policy acquired for no consideration</li> </ul>

<sup>1</sup> Restrictions apply to the types of cover that can be held inside super from 1 July 2014 (see page 32).

<sup>2</sup> Assumes insured events related to terminal illness align with SIS definition of terminal medical condition (see page 55)

## Total and permanent disability (TPD) insurance

Ownership/Purpose	Tax treatment	
	Premiums	Benefits
Individual for personal purposes – premiums paid by individual	Non-deductible	<ul style="list-style-type: none"> <li>Generally a capital payment - CGT exempt if paid to insured or their relative</li> </ul>
Individual for personal purposes – premiums paid by employer	FBT may apply - premium and FBT (if any) are generally deductible to employer	<ul style="list-style-type: none"> <li>Generally a capital payment - CGT exempt if paid to insured or their relative</li> </ul>
Trustee of super fund to provide benefits for insured member <sup>3</sup>	Deductible to extent insured events align with tax law definition of <i>disability superannuation benefit</i> <sup>4</sup>	Payment to fund: <ul style="list-style-type: none"> <li>generally a capital payment - CGT exempt</li> </ul> Payment from fund: <ul style="list-style-type: none"> <li>subject to a condition of release being met (see page 54)</li> <li>taxed as lump sum benefit or income stream (see pages 75-76)</li> </ul>
Trustee of super fund for other purposes eg liquidity/debt repayment <sup>3</sup>	Non-deductible	Payment to fund: <ul style="list-style-type: none"> <li>generally a capital payment - CGT exempt</li> </ul> There may be further tax consequences depending on use of payment within the fund
Business entity for revenue purposes eg key person revenue cover	Deductible	<ul style="list-style-type: none"> <li>Generally ordinary income of business entity</li> </ul>
Business entity or individual for capital purposes eg buy/sell agreements	Non-deductible	<ul style="list-style-type: none"> <li>Generally a capital payment – may be subject to CGT if not paid to insured or their relative</li> </ul>

<sup>3</sup> Restrictions apply to the types of cover that can be held inside super from 1 July 2014 (see page 32).

<sup>4</sup> Depending on the policy terms, where a fund acquired a TPD policy prior to 1 July 2014 it may require an actuary's certificate to determine the deductible portion or have regard to tax regulations which provide an option to apply prescribed deductible percentages for a range of TPD definitions

# Trauma insurance

Ownership/Purpose	Tax treatment	
	Premiums	Benefits
Individual for personal purposes – premiums paid by individual	Non-deductible	<ul style="list-style-type: none"> <li>Generally a capital payment - CGT exempt if paid to insured or their relative</li> </ul>
Individual for personal purposes – premiums paid by employer	FBT may apply - premium and FBT (if any) are generally deductible to employer	<ul style="list-style-type: none"> <li>Generally a capital payment - CGT exempt if paid to insured or their relative</li> </ul>
Trustee of super fund to provide benefits for insured member <sup>5</sup>	Non-deductible	<p>Payment to fund:</p> <ul style="list-style-type: none"> <li>generally a capital payment - CGT exempt</li> </ul> <p>Payment from fund:</p> <ul style="list-style-type: none"> <li>subject to a condition of release being met (see page 54)</li> <li>taxed as lump sum benefit (see page 75)</li> </ul>
Trustee of super fund for other purposes eg liquidity/debt repayment <sup>5</sup>	Non-deductible	<p>Payment to fund:</p> <ul style="list-style-type: none"> <li>generally a capital payment - CGT exempt</li> </ul> <p>There may be further tax consequences depending on use of payment within the fund</p>
Business entity for revenue purposes eg key person revenue cover	Deductible	<ul style="list-style-type: none"> <li>Generally ordinary income of business entity</li> </ul>
Business entity or individual for capital purposes eg buy/sell agreements	Non-deductible	<ul style="list-style-type: none"> <li>Generally a capital payment – may be subject to CGT if not paid to insured or their relative</li> </ul>

<sup>5</sup> Restrictions apply to the types of cover that can be held inside super from 1 July 2014 (see page 32).

## Income protection and business expenses insurance

Ownership/Purpose	Tax treatment	
	Premiums	Benefits
Individual to protect against loss of own income – premiums paid by individual	Deductible <sup>6</sup>	Generally assessable as ordinary income to individual
Individual to protect against loss of own income – premiums paid by employer	Generally deductible to employer	Generally assessable as ordinary income to individual
Trustee of super fund to provide benefits for insured member <sup>7</sup>	Deductible to extent insured events align with SIS temporary incapacity definition (see page 54)	Payment to fund: <ul style="list-style-type: none"> <li>● generally not treated as assessable income</li> </ul> Payment from fund: <ul style="list-style-type: none"> <li>● subject to a condition of release being met (see page 54)</li> <li>● assessable as ordinary income to individual</li> </ul>
Business entity to protect against loss of income or for business expense purposes	Deductible	Generally ordinary income of business entity

## Insurance within superannuation

Superannuation law requires trustees to ensure insurance benefits acquired from 1 July 2014 are aligned with SIS payment rules for death, terminal medical condition, permanent incapacity or temporary incapacity. Cover held for existing fund members that was in place prior to 1 July 2014 is not affected.

<sup>6</sup> Excluding personal injury portion of premium

<sup>7</sup> Restrictions apply to the types of cover that can be held inside super from 1 July 2014.

## Deductibility of TPD insurance premiums in super

For TPD insurance cover established prior to 1 July 2014, depending on the policy terms, a fund may require an actuary's certificate to determine the deductible portion of TPD premium or have regard to regulations which provide an option to apply the following prescribed deductible percentages for a range of TPD definitions.

TPD definition	Prescribed percentage
TPD any occupation	100%
TPD any occupation insurance with one or more of: <ul style="list-style-type: none"> <li>● activities of daily living</li> <li>● cognitive loss</li> <li>● loss of limb</li> <li>● domestic (home) duties</li> </ul>	100%
TPD own occupation	67%
TPD own occupation insurance with one or more of: <ul style="list-style-type: none"> <li>● activities of daily living</li> <li>● cognitive loss</li> <li>● loss of limb</li> <li>● domestic (home) duties</li> </ul>	67%
TPD own occupation bundled with death (life) cover	80%
TPD own occupation bundled with death (life) cover with one or more of: <ul style="list-style-type: none"> <li>● activities of daily living</li> <li>● cognitive loss</li> <li>● loss of limb</li> <li>● domestic (home) duties</li> </ul>	80%



# Superannuation accumulation phase

## Contribution eligibility

Conditions	Contributor			
	Member	Employer mandated <sup>1</sup>	Employer non-mandated	Spouse/other
Work test applies?	Yes	No	Yes	Yes
Age limit	75 <sup>2</sup>	None	75 <sup>2</sup>	75 <sup>2</sup>
TFN required?	Yes	No	No	Yes

Condition description	
Work test	<ul style="list-style-type: none"> <li>From 1 July 2020, work test applies if member is age 67 or more at time of contribution<sup>3</sup></li> <li>Requires that member has been gainfully employed for at least 40 hours in no more than 30 consecutive days in the financial year</li> <li>Work test must be met prior to the contribution being made</li> <li>Work test does not apply to downsizer contributions</li> <li>If member is aged 67 to 74, a work test exemption applies for 12 months from the end of the financial year in which they last met the work test, provided their <i>total superannuation balance</i> is less than \$300,000 at the prior 30 June and they have not previously used this exemption</li> </ul>
Age limit	<ul style="list-style-type: none"> <li>Member age from which contribution cannot be accepted</li> <li>Age limit does not apply to downsizer contributions</li> </ul>

<sup>1</sup> These include contributions that an employer makes to satisfy the requirements of a particular award, certified agreement or the SG provisions (see page 43).

<sup>2</sup> Contributions that are otherwise eligible may be accepted up to 28 days after the end of the month in which the individual reaches age 75, provided the work test has been met in the financial year in which the contribution is made.

<sup>3</sup> For contributions made prior to 1 July 2020, the work test generally applied if the member was age 65 or more at the time of the contribution.

# Contribution caps

## Concessional contributions

Concessional contributions (CC) cap	
Inclusions	<ul style="list-style-type: none"> <li>Employer contributions (including salary sacrifice)</li> <li>Personal deductible contributions (see page 39)</li> <li>Allocations from a reserve unless an exemption applies (see below)</li> </ul>
Exemptions	<ul style="list-style-type: none"> <li>Reserve allocations which are:               <ul style="list-style-type: none"> <li>fair and reasonable, made to all members of the fund or a relevant class of members, and less than 5% of member's interest at allocation time, or</li> <li>from a reserve solely for the purpose of enabling the fund to discharge pension liabilities in certain circumstances, and</li> </ul> </li> <li>Amounts transferred from an overseas pension scheme and taxable in the fund (see page 44)</li> </ul>
Cap – 2020/21	\$25,000 Indexed annually with AWOTE and rounded down to the nearest \$2,500.
Treatment of excess	<ul style="list-style-type: none"> <li>All excess CCs will be taxed at the individual's marginal tax rate less 15% offset</li> <li>Interest charge payable on increased tax liability resulting from inclusion of excess CCs in assessable income, calculated from start of financial year</li> <li>Individual has option to withdraw excess amount from super net of 15% fund tax</li> </ul>

## Carry-forward unused CC cap

Starting from 1 July 2018, individuals can carry forward their unused CC cap for up to 5 financial years for use in a future financial year.

Carry-forward unused CC cap	
Requirements	Individual's CC cap increased if: <ul style="list-style-type: none"> <li>actual CCs are greater than standard CC cap</li> <li><i>total superannuation balance</i> is less than \$500,000 at 30 June of prior financial year, and</li> <li>they have unused CC cap available from any or all of prior 5 financial years (occurring from 2018/19 onwards)</li> </ul>
Unused CC cap for a financial year	The amount by which the standard CC cap exceeds an individual's actual CCs in the financial year

## Non-concessional contributions

Non-concessional contributions (NCC) cap	
Inclusions	<ul style="list-style-type: none"> <li>● Personal contributions not claimed as a tax deduction</li> <li>● Spouse contributions</li> <li>● Contributions for a child (apart from employer contributions)</li> <li>● Amounts transferred from an overseas pension scheme that are not taxable in the fund, and</li> <li>● Excess CCs (grossed up to include the 15% fund tax), excluding those which are withdrawn</li> </ul>
Exemptions	<ul style="list-style-type: none"> <li>● Government contributions – see page 38</li> <li>● Downsizer contributions within limits (see below)</li> <li>● CGT small business concession contributions within limit – see over page</li> <li>● Personal injury contributions – see over page</li> </ul>
Cap - 2020/21	<ul style="list-style-type: none"> <li>● \$100,000 (indexed to 4 x CC cap), or</li> <li>● If <i>total superannuation balance</i> as at 30 June 2020 is \$1.6 million or more, NCC cap is nil</li> </ul>
Bring forward arrangement	<ul style="list-style-type: none"> <li>● Members under age 65<sup>4</sup> at any time in a financial year may bring forward future annual NCC cap entitlements, based on their <i>total superannuation balance</i> (see page 92) as at 30 June of the prior financial year. Where member's <i>total superannuation balance</i> is: <ul style="list-style-type: none"> <li>– less than \$1.4 million, total NCCs in 3 year period are capped at \$300,000</li> <li>– \$1.4 million to less than \$1.5 million, total NCCs in 2 year period are capped at \$200,000</li> <li>– \$1.5 million to less than \$1.6 million, bring forward is not available and total NCCs are limited to \$100,000</li> </ul> </li> <li>● Bring forward applies from 1 July of first financial year where NCCs exceed \$100,000</li> <li>● <i>Total superannuation balance</i> must also be less than \$1.6 million at prior 30 June, otherwise remaining NCC cap is nil for that year and NCCs will be excessive</li> </ul>
Treatment of excess	<ul style="list-style-type: none"> <li>● Individual has option to withdraw excess amounts plus 85% of associated earnings from super. Total amount of associated earnings taxed at marginal rates, less 15% offset</li> <li>● Excess amounts not withdrawn from super are taxed at 47% in 2017/18 and later years</li> </ul>

## Downsizer contributions

Downsizer contributions	
Requirements	<ul style="list-style-type: none"> <li>● Contribution limited to capital proceeds from disposal of a property located in Australia</li> <li>● Contract for sale must be entered into on or after 1 July 2018</li> <li>● Individual or their spouse must: <ul style="list-style-type: none"> <li>– have owned the property for at least 10 years</li> <li>– be eligible for a full or partial main residence CGT exemption</li> </ul> </li> <li>● Individual must be aged 65 or more at time of contribution</li> <li>● Contribution must be made within 90 days of change of ownership (ie generally settlement)</li> <li>● Choice must be made using the ATO form no later than time contribution is made</li> <li>● Individual must not have previously made a downsizer contribution from the sale of another property</li> </ul>
Cap – 2020/21	\$300,000 lifetime limit
Treatment of excess	Excess counts towards NCC cap

<sup>4</sup> 2019 Federal Budget proposal to extend eligibility to the bring forward rule to those aged 65 and 66 from 1 July 2020. Not yet law at time of writing.

## CGT small business concession contributions

CGT small business concession contributions	
Requirements	<ul style="list-style-type: none"> <li>● Contributions where individual owned CGT asset:               <ul style="list-style-type: none"> <li>– contribution limited to capital proceeds of asset sale that meet CGT small business 15 year exemption (or would have if a capital gain had arisen)</li> <li>– contribution limited to capital gain that meets CGT small business retirement exemption</li> <li>– contributions must be made by later of date of lodgement of tax return or 30 days from receipt of capital proceeds</li> </ul> </li> <li>● Contributions where company or trust owned CGT asset:               <ul style="list-style-type: none"> <li>– contribution limited to payment to CGT concession stakeholder</li> <li>– contribution must be made within 30 days of payment to CGT concession stakeholder</li> </ul> </li> <li>● Choice made using ATO form no later than time contribution made</li> <li>● Additional conditions apply</li> </ul>
Cap – 2020/21	\$1,565,000 lifetime limit Indexed annually with AWOTE and rounded down to the nearest \$5,000
Treatment of excess	Excess counts towards NCC cap

## Personal injury contributions

Personal injury contributions	
Requirements	<ul style="list-style-type: none"> <li>● Contributions arising from:               <ul style="list-style-type: none"> <li>– personal injury settlement relating to workers' compensation</li> <li>– personal injury compensation, or</li> <li>– damages claim or right under statute in writing (court order or otherwise)</li> </ul> </li> <li>● Contributions must be made within 90 days of the later of receipt of payment or date of effect of settlement/order</li> <li>● 2 medical practitioners must certify person is unlikely to ever be gainfully employed in a capacity where reasonably qualified by education, experience or training</li> <li>● Choice must be made using ATO form no later than time contribution made</li> </ul>
Cap	No cap applies

## Historical contribution caps

Financial year	Concessional contributions cap		Non-concessional contributions cap	CGT small business cap
	Under 50	50 and over		
2007/08	\$50,000	\$100,000	\$150,000 (\$450,000 under the 3 year bring forward arrangement)	\$1,000,000
2008/09	\$50,000	\$100,000		\$1,045,000
2009/10	\$25,000	\$50,000		\$1,100,000
2010/11	\$25,000	\$50,000		\$1,155,000
2011/12	\$25,000	\$50,000		\$1,205,000
2012/13	\$25,000	\$25,000		\$1,255,000
2013/14	\$25,000	\$35,000 (if age 59 or over at 30 June 2013)		\$1,315,000
2014/15	\$30,000	\$35,000 (if age 49 or over at 30 June 2014)	\$180,000 (\$540,000 under the 3 year bring forward arrangement)	\$1,355,000
2015/16	\$30,000	\$35,000 (if age 49 or over at 30 June 2015)		\$1,395,000
2016/17	\$30,000	\$35,000 (if age 49 or over at 30 June 2016)		\$1,415,000
2017/18	\$25,000 for all individuals			\$1,445,000
2018/19			\$1,480,000	
2019/20			\$1,515,000	

## Government co-contribution

Co-contribution from 1 July 2020	
Eligible contributions	Personal NCCs made to complying fund for purpose of providing super benefits. Individual must not have excess NCCs
Minimum earnings (10%) test	$\frac{\text{Assessable income, RESC (see page 92) \& reportable fringe benefits total derived as an employee or carrying on a business}}{\text{Total assessable income, RESC \& reportable fringe benefits total}} \geq 10\%$
Tax return	Tax return for financial year must be lodged
Age limit	Less than age 71 on last day of financial year
Residency	Must not hold eligible temporary resident visa
Total superannuation balance (see page 92)	Less than \$1.6 million as at 30 June of prior financial year
Income limit	Income <sup>5</sup> must be less than \$54,837
Amount payable	Income <sup>5</sup> \$0 - \$39,837  Lesser of: <ul style="list-style-type: none"> <li>• eligible contributions x 50%, and</li> <li>• \$500</li> </ul>
	Income <sup>5</sup> \$39,837 - \$54,837  Lesser of: <ul style="list-style-type: none"> <li>• eligible contributions x 50%, and</li> <li>• \$500 reduced by \$0.03333 per \$1.00 greater than \$39,837</li> </ul> Minimum amount payable is \$20

## Low income super tax offset

Low income superannuation tax offset (LISTO)	
Eligible contributions	CCs made to complying fund for purpose of providing super benefits. Excludes CCs made to constitutionally protected funds and certain defined benefit contributions
Minimum earnings (10%) test	$\frac{\text{Assessable income, RESC (see page 92) \& reportable fringe benefits total derived as an employee or carrying on a business}}{\text{Total assessable income, RESC \& reportable fringe benefits total}} \geq 10\%$
Residency	Must not hold eligible temporary resident visa
Income limit	Adjusted taxable income (see page 92) must be less than \$37,000
Amount payable	Lesser of: <ul style="list-style-type: none"> <li>• 15% of eligible contributions, and</li> <li>• \$500</li> </ul> Minimum amount payable is \$10

<sup>5</sup> Assessable income plus RESC and reportable fringe benefits total less business related deductions.

# Claiming tax deductions - personal super contributions

## General conditions

General conditions	
Purpose	Personal contributions must be made to a complying fund for purpose of providing superannuation benefits
Maximum earnings (10%) test	This test was removed effective from 1 July 2017 and individuals can generally deduct their personal super contributions, subject to the exclusions below.
Age limits	<ul style="list-style-type: none"><li>Individual must be age at least 18 or more when contribution made (unless deriving income from carrying on a business or engaging in employment-related activities), and</li><li>Contribution must be made within 28 days after month individual turns 75</li></ul>
Deduction notice	Valid notice of intention to claim a tax deduction (a deduction notice), in ATO approved form, must be given to fund trustee within certain timeframes (refer to page 40)
Notice acknowledgement	The trustee of the fund must have acknowledged the notice
Contributions excluded	Individuals are unable to claim: <ul style="list-style-type: none"><li>downsizer contributions (see page 35)</li><li>personal contributions of CGT retirement exemption amounts if under the age of 55</li><li>transfers from foreign superannuation funds (see page 44) cannot be claimed, and</li><li>contributions to constitutionally protected funds or defined benefit interests in Commonwealth public sector superannuation schemes</li></ul>
Sufficient assessable income	A deduction for a personal contribution cannot result in or add to a tax loss

## The 10% test

Prior to 1 July 2017, if, in the year of the contribution, an individual engaged in activities that resulted in them being treated as an employee under Super Guarantee legislation, they had to meet the 10% test to be eligible to claim a deduction for their personal contributions.

Period	Test
Prior to 1 July 2007	The individual must be a: <ul style="list-style-type: none"><li>a person who does not receive any superannuation support in the year of income; or</li><li>a person whose assessable and exempt income and reportable fringe benefits total from eligible employment<sup>6</sup> is less than 10% of the person's total assessable income and reportable fringe benefits for the income year</li></ul>
1 July 2007 – 30 June 2009	The individual's assessable income, plus reportable fringe benefits total derived as an employee <sup>6</sup> must be less than 10% of their total assessable income and reportable fringe benefits total
1 July 2009 – 30 June 2017	The individual's assessable income, plus <i>RESC</i> (see page 92) plus reportable fringe benefits total derived as an employee <sup>6</sup> must be less than 10% of their total assessable income, <i>RESC</i> reportable fringe benefits total

<sup>6</sup> Employee and eligible employment are defined in the *Superannuation Guarantee Act 1992* and the *Income Tax Assessment Act 1936* (as in force before 1 July 2007) respectively. See also ATO [SGR 2005/1](#) Superannuation guarantee: who is an employee?

## Deduction notices

Deduction notice conditions	
Timeframes for lodgement	Notice must be lodged with fund before earlier of: <ul style="list-style-type: none"> <li>• lodgement of tax return for year contributions were made, and</li> <li>• end of financial year after financial year contributions were made</li> </ul>
When is a notice invalid?	Notice invalid if: <ul style="list-style-type: none"> <li>• not in respect of the contribution</li> <li>• includes all or part of an amount covered by a previous notice, or</li> <li>• when person gave notice:               <ul style="list-style-type: none"> <li>– they were not a member of the fund</li> <li>– trustee no longer holds contribution (see Taxation Ruling <a href="#">TR 2010/1</a>)</li> <li>– trustee has begun to pay a super income stream based in whole or part on contribution (see Taxation Ruling TR 2010/1), or</li> <li>– person has applied to split contributions with spouse (and trustee has accepted application).</li> </ul> </li> </ul>
Varying a notice	<ul style="list-style-type: none"> <li>• Notice cannot be revoked or withdrawn</li> <li>• Notice can be varied, but only so as to reduce the amount claimed</li> <li>• Variations are ineffective in circumstances similar to those in which notice is invalid</li> </ul>

## Fund tax treatment of contributions

Taxable contributions are included in the assessable income of the fund and the taxable income of a super fund is taxed at 15%.

Taxable contributions typically comprise of: <sup>7</sup>	Non-taxable contributions typically comprise of:
<ul style="list-style-type: none"> <li>• Employer contributions (including salary sacrifice)</li> <li>• Personal contributions nominated in a valid and acknowledged deduction notice</li> <li>• Assessable portion of an amount transferred from an overseas super/pension arrangement</li> <li>• Untaxed element of a rollover within \$1,565,000<sup>8</sup></li> <li>• Third party contributions (other than spouse and child contributions or co-contributions)</li> </ul>	<ul style="list-style-type: none"> <li>• Personal contributions not nominated in a valid deduction notice</li> <li>• Downsizer contributions</li> <li>• CGT small business concession contributions</li> <li>• Personal injury contributions</li> <li>• Non-assessable portion of an amount transferred from an overseas super/pension arrangement</li> <li>• Excess untaxed rollover amounts (net of 47% tax withheld by the paying fund)</li> <li>• Untaxed element of a death benefit rollover where the transferring fund claimed a deduction either for certain insurance premiums or a future liability to pay benefits in respect of the deceased member</li> <li>• Spouse contributions</li> <li>• Child contributions</li> <li>• Government co-contributions</li> </ul>

<sup>7</sup> If no TFN is quoted an extra 32% tax will apply to taxable contributions in addition to the standard 15% tax on contributions.

<sup>8</sup> Untaxed plan cap applicable in 2020/21. Indexed annually with AWOTE, rounded down to nearest \$5,000. This is a lifetime cap that applies on a per plan basis.



## Contributions tax for higher income earners

An additional 15% tax (Division 293 tax) applies to certain concessional contributions made by or on behalf of very high income earners.

Division 293 tax	
Income threshold – 2020/21	\$250,000
Income assessed	<p>The sum of an individual's:</p> <ul style="list-style-type: none"> <li>● taxable income (excluding the taxable component of a superannuation lump sum taxed at 0% ie the amount within the low rate cap)</li> <li>● certain family trust distributions excluded from assessable income</li> <li>● reportable fringe benefits total</li> <li>● total net investment loss</li> <li>● low tax contributions (see below)</li> </ul>
Low tax contributions (LTCs)	<p>Concessional contributions (CCs) excluding:</p> <ul style="list-style-type: none"> <li>● excess CCs, and</li> <li>● CCs for State higher level office holders to constitutionally protected funds</li> </ul>
Tax treatment of LTCs	<ul style="list-style-type: none"> <li>● If income exceeds \$250,000, additional 15% tax applies to the lesser of: <ul style="list-style-type: none"> <li>– income above \$250,000, and</li> <li>– LTCs</li> </ul> </li> <li>● Excess CCs not subject to Division 293 tax (instead excess CC tax arrangements will apply – see page 34)</li> <li>● Division 293 tax is levied on individual, not super fund (but all or part may be withdrawn from a fund)</li> </ul>
Special rules	<p>Special rules apply for:</p> <ul style="list-style-type: none"> <li>● defined benefit funds</li> <li>● State higher level office holders</li> <li>● Commonwealth judges and justices</li> <li>● temporary residents departing Australia</li> </ul>

## Superannuation Guarantee (SG)

Superannuation Guarantee		
	Year	% of ordinary time earnings
SG rate	2020/21	9.50
	2021/22	10.00
	2022/23	10.50
	2023/24	11.00
	2024/25	11.50
	2025/26 and later years	12.00
Cut off dates	28 October, 28 January, 28 April, 28 July	
Minimum age	18 years (except employees working more than 30 hours each week)	
Minimum salary	\$450 per month	
Maximum salary	\$57,090 per quarter (\$228,360 per annum) Indexed annually with AWOTE	

## Fund choice and portability

	Choice of fund	Portability
Purpose	Eligible employees can choose a fund for their SG contributions (exceptions apply, eg to members of defined benefit funds).	Super fund members can rollover/transfer their super entitlements at any time (exceptions apply)
Relates to	Future SG contributions	Accumulated superannuation benefit.
Frequency	Choice of fund can be made once in a 12 month period	Rollover/transfer can be made once in a 12 month period
Timeframe	Employer must begin contributing to chosen fund after 2 months from date choice made	<p>If member has not made investment choice, trustee must:</p> <ul style="list-style-type: none"> <li>● process rollover within 3 business days of receipt of complete request<sup>9</sup></li> </ul> <p>If member has exercised investment choice, trustee must:</p> <ul style="list-style-type: none"> <li>● take steps to redeem investment within 3 business days of receipt of request, and</li> <li>● pay rollover within 3 business days of receiving proceeds, and</li> <li>● process rollover no later than 30 days from receipt of complete request<sup>9</sup></li> </ul>

<sup>9</sup>Exceptions apply eg where there are illiquid investments

# Foreign superannuation transfers

## Foreign super transfers

Lump sums may be transferred from a foreign superannuation fund to an Australian superannuation fund subject to contribution eligibility rules (see page 33).

The transfer may result in a tax liability in relation to applicable fund earnings<sup>10</sup> payable by the individual or, if a written election is made, by the fund. The election:

- can be made if the entire interest in foreign fund is transferred to Australian super fund, and
- cannot be revoked or varied once made

Transfers will generally be taxed as follows:

Transfer occurs		Contribution type	Tax treatment
Within 6 months of Australian tax residency	Entire transfer amount	NCC (see page 34)	Tax free
After 6 months of Australian tax residency – tax election made	Applicable fund earnings	Does not count towards CC or NCC caps (see page 34)	Taxed at 15% in super fund
	Balance of transfer	NCC (see page 34)	Tax free
After 6 months of Australian tax residency – no tax election made	Applicable fund earnings	NCC (see page 34)	Taxed at individual's marginal tax rate
	Balance of transfer		Tax free

## Trans-Tasman portability

Transfer direction	Key feature/requirement
Both directions	<ul style="list-style-type: none"> <li>• Transfers allowed between Australian superannuation funds and New Zealand KiwiSaver accounts on permanent emigration only</li> <li>• Acceptance of transfers by funds/schemes is voluntary</li> <li>• Australian SMSFs are excluded from the scheme</li> <li>• Transfer amounts will need to be separately identified by host country scheme so certain source-country rules can apply (see below)</li> <li>• Following the transfer any reductions in account balances will apply to host country savings prior to transferred savings</li> <li>• Full transfers only are permitted</li> </ul>
Transfers from New Zealand to Australia	<ul style="list-style-type: none"> <li>• Treated as member contributions, subject to contribution eligibility rules (see page 33)</li> <li>• Generally counted towards NCC cap (see page 34)</li> <li>• Not a deductible contribution</li> <li>• Transferred benefits generally not accessible until age 65</li> </ul>
Transfers from Australia to New Zealand	<ul style="list-style-type: none"> <li>• Tax free on exit from Australian super fund</li> <li>• Accessible once member reaches age 60 and retires</li> <li>• Must be transferred within 30 days of receipt of request<sup>11</sup></li> </ul>

<sup>10</sup> Generally earnings on foreign super interest accrued between date member became an Australian tax resident and date transfer is received. The calculation can be more complex if individual has broken periods of residency.

<sup>11</sup> Subject to certain information and documentation requirements.

## Spouse contribution splitting

Spouse contribution splitting	
Timeframe for application	Application must be lodged with fund <ul style="list-style-type: none"><li>• within the financial year after the financial year in which the contributions were made, or</li><li>• in the financial year of contributions if member's entire benefit is being rolled over or withdrawn</li></ul>
Maximum splittable amount	Lesser of: <ul style="list-style-type: none"><li>• 85% of member's CCs</li><li>• the individual's CC cap for the year, and</li><li>• the taxable component of the member's interest.</li></ul>
Tax treatment	<ul style="list-style-type: none"><li>• Treated as a rollover into the spouse's account</li><li>• Does not count towards either CC cap or NCC cap of receiving spouse</li><li>• 100% taxable component.</li></ul>
Receiving spouse conditions	Receiving spouse must not be: <ul style="list-style-type: none"><li>• age 65 years or more, or</li><li>• age between preservation age and 65 and 'retired' (see retirement condition of release on page 54).</li></ul>
Permitted frequency	Only one contribution split can be made per financial year

# Self managed superannuation funds (SMSFs)

## Membership and trustee rules

Membership/trustee rules		
Fund type	Individual trustees	Corporate trustee
1 member	Member is one of two trustees and either a relative or not an employee of the other trustee	Member is sole director of the corporate trustee, or one of two directors where the member is either a relative or not an employee of the other director
2 – 4 members	Each trustee is a member and each member is a trustee	Each director of the corporate trustee is a member and each member is a director
All SMSFs	<ul style="list-style-type: none"> <li>• Must have fewer than 5 members<sup>1</sup></li> <li>• No member is an employee of another member unless they are relatives</li> <li>• No trustee receives remuneration from the fund for any services performed in relation to the fund except where the trustee/director is appropriately qualified and licensed, the work is carried out in the ordinary course of business and the remuneration received is not more favourable than an arms-length arrangement</li> <li>• Circumstances where legal personal representative (LPR) may replace a member as trustee/director:               <ul style="list-style-type: none"> <li>– upon death until the death benefits in fund begin to be paid;</li> <li>– member is under a legal disability; or</li> <li>– LPR has enduring power of attorney</li> </ul> </li> <li>• A parent or guardian may replace a member who is under a legal disability because of age as trustee/director.</li> </ul>	

## Sole purpose test

Sole purpose test	
Core purposes	<p>A super fund must be maintained solely to provide members with one or more of the following:</p> <ul style="list-style-type: none"> <li>• retirement benefits</li> <li>• benefits on or after member reaches 65</li> <li>• death benefits if member's death occurred before retirement or reaching age 65 and benefits are paid to member's LPR or dependants</li> </ul>
Ancillary purposes	<p>A fund may also be maintained for one or more ancillary purposes, that is, the provision of:</p> <ul style="list-style-type: none"> <li>• benefits on or after member's termination of employment with an employer who had contributed to the fund</li> <li>• benefits on cessation of member's work due to ill health</li> <li>• death benefits if member's death occurred on or after retirement or reaching age 65 and benefits are paid to member's LPR or dependants</li> </ul>

For ATO guidance see [SMSFR 2008/2](#).

<sup>1</sup> 2018 Federal Budget proposal to increase the maximum number of members to 6. Not yet law at the time of writing.

## Super fund residency

A superannuation fund is considered an 'Australian superannuation fund' at a time and for an income year in which that time occurs, if all three of the following tests are satisfied. To be a complying superannuation fund, a fund must satisfy all three tests at all times (see Taxation Ruling [TR 2008/9](#)).

Residency test	
Test	Description
Australian establishment or situated asset	Trust deed is signed and executed and the initial contribution establishing fund is paid to and accepted by trustees in Australia, or any fund asset is situated in Australia
Central management and control (CM&C)	<p>Strategic and high level decision making processes of the fund must be ordinarily located in Australia. For example:</p> <ul style="list-style-type: none"> <li>● formulating, monitoring, reviewing or updating the investment strategy</li> <li>● formulating a reserve management strategy</li> <li>● determining how fund assets are used to fund member benefits</li> </ul> <p>Temporary absences will not generally cause a failure of the CM&amp;C test</p>
Active members	<p>This test is satisfied if, either:</p> <ul style="list-style-type: none"> <li>● there are no active members ie there are no members for whom contributions (including rollovers) are made, or</li> <li>● if there are active members, at least 50% of: <ul style="list-style-type: none"> <li>– total market value of fund's assets attributable to member super interests of active members, or</li> <li>– the sum of amounts payable to active members if they left the fund;</li> </ul> </li> </ul> <p>are attributable to active members that are Australian residents</p>

## Acquiring assets from related parties

Superannuation funds generally must not intentionally acquire an asset from a related party of the fund (see page 49). Certain exceptions to the prohibition apply.

Assets which may be acquired from a related party include:

Asset type	Description	Acquisition conditions
Listed securities	Securities listed on certain Australian and international stock exchanges	<ul style="list-style-type: none"> <li>Must be acquired at market value</li> </ul>
Business real property	Real property used wholly and exclusively in one or more businesses, including where subject to a legally enforceable lease with a related party	<ul style="list-style-type: none"> <li>Applies only to SMSFs and small APRA funds (SAFs)</li> <li>Must be acquired at market value</li> </ul>
A deposit with an authorised deposit-taking institution (ADI)	Deposit may include cash accounts and term deposits	<ul style="list-style-type: none"> <li>Must be acquired at market value</li> </ul>
Life insurance policy	A life insurance policy issued by a life insurance company	<ul style="list-style-type: none"> <li>Cannot be acquired from a fund member or their relative</li> <li>Must be acquired at market value</li> </ul>
Units in a widely held unit trust	Unit trust with fixed entitlements to income and capital where at least 20 unrelated investors together are entitled to 75% or more of the income and capital	<ul style="list-style-type: none"> <li>Must be acquired at market value</li> </ul>
An interest in a company or trust that meets the requirements of SIS reg 13.22C	<p>A trust or company with no outstanding borrowings whose assets consist only of:</p> <ul style="list-style-type: none"> <li>ADI deposits</li> <li>real property (which is not subject to a lease arrangement with a related party unless it is business real property)</li> </ul> <p>Other restrictions include:</p> <ul style="list-style-type: none"> <li>Assets cannot be subject to a charge</li> <li>Trust or company cannot run a business</li> <li>Trust or company generally cannot acquire assets from a related party unless business real property</li> </ul>	<ul style="list-style-type: none"> <li>Applies only to SMSFs and SAFs</li> <li>Must be acquired at market value</li> </ul>
In-house assets	See definition over page	<ul style="list-style-type: none"> <li>Must be acquired at market value</li> <li>Acquisition must not cause fund to exceed the in-house asset threshold (generally 5% of fund's total assets)</li> </ul>
Assets acquired on breakdown of a relationship	Acquired from trustee or investment manager of another fund in connection with the breakdown of a marriage or de facto relationship.	<ul style="list-style-type: none"> <li>Asset is acquired for benefit of a member who is separated from their spouse or former spouse with no reasonable likelihood of resuming co-habitation</li> <li>Other conditions apply</li> </ul>



## In-house assets

Superannuation funds are generally subject to a limit on in-house assets of 5% of the market value of the fund's total assets.

In-house assets	
What is an in-house asset?	<p>An in-house asset is either:</p> <ul style="list-style-type: none"> <li>• a loan to, or investment in, a related party of the fund (see page 49)</li> <li>• an investment in a related trust of the fund</li> <li>• an asset of the fund subject to a lease or lease arrangement between fund trustee and a related party</li> </ul>
What is not an in-house asset?	<p>Assets which are specifically excluded from the definition of in-house asset include:</p> <ul style="list-style-type: none"> <li>• life policies issued by life insurance company</li> <li>• ADI deposits</li> <li>• investments in a pooled super trust</li> <li>• business real property of SMSFs and SAFs which is subject to a lease or lease arrangement with a related party</li> <li>• interests in widely held unit trusts – see table above</li> <li>• property owned as tenants-in-common between the fund and a related party</li> <li>• certain assets specified in the SIS Regulations – eg reg 13.22C companies or trusts</li> </ul>

## Collectables and personal use assets

Restrictions apply as to how SMSFs can make, hold and realise investments in collectables and personal use assets. These restrictions apply to all investments in collectables and personal use assets regardless of when they were acquired by the SMSF.

Collectables and personal use assets	
Include	<ul style="list-style-type: none"> <li>• Artwork (within the meaning of the Income Tax Assessment Act 1997)</li> <li>• Jewellery</li> <li>• Antiques</li> <li>• Artefacts</li> <li>• Coins, medallions or bank notes</li> <li>• Postage stamps or first day covers</li> <li>• Rare folios, manuscripts or books</li> <li>• Memorabilia</li> <li>• Wine or spirits</li> <li>• Motor vehicles</li> <li>• Recreational boats</li> <li>• Memberships of sporting or social clubs</li> </ul>
Use	<ul style="list-style-type: none"> <li>• Collectables and personal use assets cannot be used by a related party</li> </ul>
Leasing and storage	<ul style="list-style-type: none"> <li>• Cannot be leased to a related party or stored in the private residence of a related party</li> <li>• Decision in relation to storage of asset must be in writing and held for at least 10 years</li> </ul>
Insurance	<ul style="list-style-type: none"> <li>• Asset must be insured within 7 days of acquisition (unless asset is membership of a sporting or social club)</li> </ul>
Market valuation	<ul style="list-style-type: none"> <li>• Where a related party receives an asset from an SMSF (eg via in specie member benefit or purchase), the market price must be determined by a qualified independent valuer</li> </ul>

## Related parties

Related party of an SMSF	
Member	Each member of the fund
Standard employer-sponsor	An employer who contributes to the fund under an arrangement with the trustee of the fund. However, an employer who only contributes to a fund under an agreement with a member, or members, of the fund is not a standard employer-sponsor.
'Associates' of a member or standard employer-sponsor	<p>Includes:</p> <ul style="list-style-type: none"> <li>● Other SMSF members</li> <li>● SMSF trustee or corporate trustee director</li> <li>● Relative</li> <li>● Partner or partnership</li> </ul> <ul style="list-style-type: none"> <li>● Controlled trust</li> <li>● Company sufficiently influenced or where majority voting interest is held</li> </ul> <p>(see below for further details)</p>
'Associates' or a member or standard employer-sponsor (referred to below as 'entity')	
Other SMSF members	If the entity is a member of an SMSF, each other member of that SMSF.
SMSF trustee or corporate trustee director	If the entity is the only member of an SMSF, a trustee of the fund or a director of the corporate trustee of the fund.
Relative of entity	<p>Includes:</p> <ul style="list-style-type: none"> <li>● a parent, grandparent, brother, sister, uncle, aunt, nephew, niece, lineal descendant or adopted child of the entity or their spouse</li> <li>● the spouse of the entity or the spouse of any of the above relatives.</li> </ul>
Partner or partnership of entity	<p>Includes:</p> <ul style="list-style-type: none"> <li>● a partner of the entity</li> <li>● the spouse or child of the partner</li> <li>● a partnership in which the entity is a partner.</li> </ul>
Controlled trust (controlled by entity)	<p>Where:</p> <ul style="list-style-type: none"> <li>● the entity, together with any of the entity's 'associates', have a fixed entitlement to more than 50 per cent of the capital or income of the trust, or</li> <li>● the trustee, or the majority of trustees, of the trust acts, or might be reasonably be expected to act, in accordance with the directions, instructions, or wishes of the entity together with any of the entity's 'associates', or</li> <li>● the entity together with any of the entity's 'associates' are able to remove or appoint the trustee, or a majority or the trustees, of the trust.</li> </ul>
Company sufficiently influenced or where majority voting interest held by entity	<p>Where:</p> <ul style="list-style-type: none"> <li>● the company, or a majority of its directors, acts, or might reasonably be expected to act, in accordance with the directions, instructions, or wishes of the entity together with any of the entity's 'associates', or</li> <li>● the entity together with any of the entity's 'associates' are in a position to cast, or control the casting of, more than 50 per cent of the votes at a general meeting of the company.</li> </ul>

# Limited Recourse Borrowing Arrangements

An exception to the general prohibition on super fund borrowing applies to certain Limited Recourse Borrowing Arrangements (LRBAs).

## LRBA Requirements

Limited Recourse Borrowing Arrangements (established from 7 July 2010)	
Required structure	<ul style="list-style-type: none"> <li>Borrowed funds used to purchase asset held in separate holding trust</li> <li>Super fund has beneficial interest in asset and right to acquire legal ownership from holding trust upon repayment of loan</li> </ul>
Asset requirements	<ul style="list-style-type: none"> <li>Cannot be an asset super fund is prohibited from purchasing by law</li> <li>Cannot be acquired from a related party subject to limited exceptions (see page 48)</li> <li>Must be a single 'acquirable asset' or a collection of identical assets with same market value (excludes cash)</li> <li>LRBA cannot be established over existing fund asset</li> <li>Asset can be replaced only in very limited circumstances</li> </ul>
Loan requirements	<ul style="list-style-type: none"> <li>Lender's rights against the super fund must be limited to LRBA asset</li> <li>Loan can be provided by a related party if on arm's length terms (see table below)</li> <li>Guarantor(s) allowed but rights of indemnity against fund limited to LRBA asset</li> <li>Loan can be refinanced</li> <li>Each drawdown on loan is a new borrowing</li> <li>Borrowings can be used to capitalise interest, maintain or repair asset, meet other costs of LRBA but not to make improvements to asset</li> </ul>

## Loan Structure

Practical Compliance Guideline [PCG 2016/5](#) outlines the terms required for an LRBA to be considered an arm's length arrangement. Trustees do not have to comply with these terms but must otherwise be able demonstrate their LRBA replicates commercial loan terms.

Loan feature	Asset Acquired	
	Real property	Listed securities/units
Interest rate	RBA Indicator Rate for standard variable housing loans for investors, plus 2% for loans relating to shares/units	
Interest rate type	Fixed (max. 5 year term) or variable	Fixed (max. 3 year term) or variable
Maximum loan term (including refinancing)	15 years	7 years
Maximum loan to market value ratio	70%	50%
Security required	Registered mortgage over property	Registered charge/mortgage or similar
Personal guarantee	Not required	Not required
Repayment type	Principal and interest	Principal and interest
Repayment frequency	Monthly	Monthly
Loan agreement	Written and executed	Written and executed

## Other SMSF investment rules

Other SMSF investment rules	
Arm's length investments	<ul style="list-style-type: none"> <li>● A fund's investments must be made on an arm's length basis, unless:               <ul style="list-style-type: none"> <li>– terms and conditions of the transaction are no more favourable to the other party than if dealing on an arm's length basis</li> </ul> </li> <li>● Dealings during the term of an investment must be at arm's length or in the same manner as if dealing at arm's length</li> <li>● Income from non-arm's length arrangement taxed at highest marginal rate</li> </ul>
Financial assistance	<p>A fund must not:</p> <ul style="list-style-type: none"> <li>● lend money, or</li> <li>● give any other financial assistance from the fund</li> </ul> <p>to a member of the fund or their relatives</p>
Investment strategy	<p>A fund must formulate, give effect to and regularly review an investment strategy that has regard to:</p> <ul style="list-style-type: none"> <li>● the whole of the fund's circumstances</li> <li>● investment risks in making, holding and realising, and the likely return from fund assets</li> <li>● diversification of fund assets</li> <li>● liquidity of fund assets</li> <li>● the fund's ability to discharge its present and future liabilities</li> <li>● for SMSFs, whether the fund should provide insurance cover for members</li> </ul>
Separation of assets	<p>A fund must keep money and other assets separate from:</p> <ul style="list-style-type: none"> <li>● a trustee's personally held assets</li> <li>● the assets of a standard employer-sponsor (or an associate of)</li> </ul>
Prohibition on borrowing	<p>A fund must not borrow money or maintain an existing borrowing, unless the borrowing:</p> <ul style="list-style-type: none"> <li>● is temporary in nature and meets certain limited criteria, or</li> <li>● meets the Limited Recourse Borrowing Arrangement criteria (see page 51)</li> </ul>
Charges over assets and benefits	<p>A fund must not (subject to limited exceptions) give a charge over or in relation to:</p> <ul style="list-style-type: none"> <li>● a fund asset</li> <li>● a member's benefit</li> </ul>

# Superannuation - access to benefits

## Preservation

There are restrictions to accessing superannuation benefits prior to reaching age 65.

### Preservation components and access rules

Preservation component	When it can be accessed
Unrestricted non-preserved	At any time
Restricted non-preserved	When a suitable condition of release has been met
Preserved	When a suitable condition of release has been met

### Preservation age

Date of birth from	To	Preservation age
	30 June 1960	55
1 July 1960	30 June 1961	56
1 July 1961	30 June 1962	57
1 July 1962	30 June 1963	58
1 July 1963	30 June 1964	59
1 July 1964 and later		60

## Conditions of release (COR)

COR	Definition	Comments
Retirement	<p>1. <i>From preservation age:</i> If an arrangement under which the member was gainfully employed has ended, and the trustee is reasonably satisfied that the member intends never to be gainfully employed for at least 10 hours per week, or</p> <p>2. <i>From age 60:</i> If an arrangement under which the member was gainfully employed has ended after turning age 60.<sup>1</sup></p>	<p>No cashing restriction</p> <p>Either definition can be relied on from age 60</p>
Attaining age 65	N/A	No cashing restriction
Attaining preservation age	N/A	<p>Limited cashing restriction:</p> <p>Benefit can only be taken as a TTR or non-commutable income stream (see page 61).</p>
Death	N/A	<p>No cashing restriction</p> <p>Must be cashed as soon as practicable following the member's death</p> <p>Benefit cannot be rolled over</p>
Permanent incapacity	Physical or mental ill health where the trustee is reasonably satisfied the member is unlikely to engage in gainful employment for which the member is reasonably qualified by education, training or experience.	No cashing restriction
Terminal medical condition	<p>1. The member has an illness or injury, certified by two registered medical practitioners, that is likely to result in death within 24 months of certification date.</p> <p>2. At least one of the medical practitioners specialises in an area related to the illness or injury.</p> <p>3. For each certificate, the certification period must not have ended.</p>	<p>No cashing restriction.</p> <p>Benefits cannot be rolled over.</p> <p>Benefits that accrue during the certification period are also considered unrestricted non-preserved.</p>
Temporary incapacity	Physical or mental ill-health that has caused the member to (temporarily or otherwise) cease gainful employment but does not constitute permanent incapacity.	<p>Limited cashing restriction.</p> <p>Benefits (other than member-financed and mandated employer-financed benefits) may be accessed as a non-commutable income stream to continue the pre-temporary incapacity gain or reward for period of incapacity.</p>

<sup>1</sup> The trustee generally does not need to form an opinion on the member's intentions concerning future gainful employment. In addition, if the member has two or more employment arrangements at the same time, the cessation of one of the employment arrangements is the COR in respect of all preserved benefits accumulated up to that time.

Severe financial hardship	<p>1. Trustee is satisfied that the member:</p> <ul style="list-style-type: none"> <li>● is and has been continuously on Commonwealth income support benefits for 26 weeks, and</li> <li>● is unable to meet reasonable and immediate family living expenses</li> </ul> <p>or</p> <p>2. The member has reached preservation age and 39 weeks and trustee is satisfied that the member:</p> <ul style="list-style-type: none"> <li>● has been on Commonwealth income support for a cumulative period of 39 weeks since reaching preservation age; and</li> <li>● is not gainfully employed for at least 10 hours per week.</li> </ul>	<p>Limited cashing restriction:</p> <p>If definition 1 applies:</p> <ul style="list-style-type: none"> <li>● Access to a single lump sum amount of between \$1,000 and \$10,000 per annum</li> </ul> <p>If definition 2 applies:</p> <ul style="list-style-type: none"> <li>● access to entire benefit</li> </ul>
Compassionate grounds	<p>On application to the ATO benefits may be released to:</p> <ul style="list-style-type: none"> <li>● pay for medical treatment or medical transport for member or dependant</li> <li>● make loan repayments to prevent foreclosure or mortgagee power of sale of principal residence</li> <li>● modify principal residence for severe disability needs of member or dependant</li> <li>● meet member's palliative care expenses</li> <li>● pay expenses for dependant's palliative care, death, funeral or burial, and</li> <li>● meet other expenses related to the above points.</li> </ul>	<p>Limited cashing restriction:</p> <p>Single lump sum amount determined in writing by the ATO.</p>
Compassionate grounds (Coronavirus)	<p>On application to the ATO benefits may be released if the member:</p> <ul style="list-style-type: none"> <li>● is unemployed, or</li> <li>● eligible to receive a job seeker payment, youth allowance for jobseekers, parenting payment, special benefit or farm household allowance, or</li> <li>● on or after 1 January 2020: <ul style="list-style-type: none"> <li>○ was made redundant, or</li> <li>○ had their working hours reduced by 20 per cent or more, or</li> <li>○ was a sole trader and their business was suspended or there was a reduction in their turnover of 20 per cent or more.</li> </ul> </li> </ul> <p>Eligible temporary residents may also apply if unable to meet immediate living expenses</p>	<p>Limited cashing restriction:</p> <ul style="list-style-type: none"> <li>● Single lump sum amount of up to \$10,000 in 2019/20</li> <li>● Single lump sum amount of up to \$10,000 in 2020/21 (not available to temporary residents)</li> </ul> <p>Applications must be made by 31 December 2020.</p>
Temporary resident's permanent departure	<p>The trustee receives a request from the member and:</p> <ol style="list-style-type: none"> <li>1. if the benefit is less than \$5,000, a copy of the temporary resident visa and passport showing departure, or</li> <li>2. a written statement from Department of Home Affairs that temporary resident visa has ended, and member has permanently departed.</li> </ol>	<p>Benefit must be paid in full.</p> <p>Special tax arrangements apply to benefits paid under this COR (see page 77).</p> <p>Benefit cannot be rolled over.</p>

Lost member who is found where the value of benefit in the fund, when released, is less than \$200	Broadly, a member is a lost member if they: 1. are uncontactable 2. are an inactive member, or 3. joined the fund as a lost member/RSA holder.  Note: exclusions exist, including SMSF members	No cashing restriction.
Termination of gainful employment with standard employer sponsor where preserved benefits are less than \$200	N/A	No cashing restriction with regard to that fund
Termination of gainful employment with an employer who had contributed to the fund	N/A	Limited cashing restriction: <ul style="list-style-type: none"> <li>● preserved benefits accessed only via non-commutable life pension/annuity</li> <li>● restricted non-preserved benefits may be accessed in full</li> </ul>

## Temporary residents

### Conditions of release

A limited range of conditions of release apply to current and former temporary residents from 1 April 2009.

Conditions of release (COR) – temporary residents from 1 April 2009	
Available	Not available
Death	Attaining preservation age (TTR pension)
Terminal medical condition	Retirement
Permanent incapacity	Attaining age 65
Temporary incapacity	Severe financial hardship
Temporary resident's permanent departure <sup>2</sup>	Compassionate grounds
Compassionate grounds (Coronavirus) in 2019/20	Compassionate grounds (Coronavirus) in 2020/21

### Unclaimed money

The superannuation benefits of a former temporary resident (except for Australian or New Zealand citizens), if left unclaimed, are treated as unclaimed money and paid to the ATO sometime after 6 months from the later of their departure from Australia and the temporary visa cessation. The former temporary resident can reclaim the amount, including interest in some cases, from the ATO.

<sup>2</sup> For the tax treatment of the payment, see page 78.



## Small and insoluble accounts

A package of measures (Protecting Your Superannuation), designed to protect small superannuation account balances, came into effect on 1 July 2019.

Protecting Your Superannuation	
Measure	Description
Protecting superannuation from erosion	<p>A trustee must not charge:</p> <ul style="list-style-type: none"> <li>● certain fees or costs in excess of 3% of the member's account balance where the balance is less than \$6,000 at the end of the year. The fee cap is apportioned where the product has not been held for the full year</li> <li>● exit fees (excludes buy-sell spreads)</li> </ul>
Preventing opt out insurance	<p>Unless the member has directed otherwise, a trustee must not provide opt out insurance to:</p> <ul style="list-style-type: none"> <li>● new members under age 25</li> <li>● members with balances below \$6,000, or</li> <li>● members with inactive MySuper or choice accounts</li> </ul>
Transfer inactive, low-balance accounts to the ATO	<p>Superannuation benefits in an inactive, low balance account are required to be transferred to the ATO. Generally, an account is an inactive low-balance account if:</p> <ul style="list-style-type: none"> <li>● the trustee has not received an amount in respect of the member for 16 months</li> <li>● the balance is less than \$6,000</li> <li>● a prescribed condition of release has not been met</li> <li>● it is not a defined benefit account</li> <li>● there is no insurance in the account, and</li> <li>● the account is not held in an SMSF or small APRA fund</li> </ul> <p>Former account holders may reclaim their money from the ATO at any time</p> <p>Interest is payable by the ATO on unclaimed monies, including lost super accounts, calculated using the CPI rate</p>

## Family law splitting

Family law and superannuation legislation allow superannuation to be taken into account in property settlements on the breakdown of a marriage. A superannuation interest can be 'flagged' or split in accordance with a court order or financial agreement under either an 'interest split' or a 'payment split'.

These provisions also apply to certain de facto relationships (including same-sex relationships).

Family law splitting	
Measure	Description
Interest split	<ul style="list-style-type: none"> <li>● Interest splits generally only apply to defined contribution funds, not defined benefit funds.</li> <li>● A new interest is carved-out from the member spouse's<sup>3</sup> interest for the non-member spouse.<sup>4</sup></li> <li>● The new interest can be determined by either a fixed dollar 'base amount' or a percentage.</li> <li>● The amount carved out can be either:               <ul style="list-style-type: none"> <li>– transferred to a new interest or rolled over to another super fund for the non-member spouse</li> <li>– paid as a superannuation lump sum benefit to the non-member spouse (generally only if a full condition of release is met)</li> </ul> </li> <li>● The amount paid for the benefit of the non-member spouse has its tax and preservation components calculated in proportion to the components in the member spouse's interest just before the payment occurs.</li> <li>● An adjustment may apply to take account of earnings between the time the court order or agreement becomes operative and the time the benefit is paid or rolled over/transferred.</li> <li>● CGT rollover may apply in certain circumstances where assets are transferred from a small super fund (i.e. one with less than 5 members) to another complying super fund for the benefit of the non-member spouse.</li> </ul>
Payment split	<ul style="list-style-type: none"> <li>● Where a fund is unable to create a separate interest for a spouse (eg defined benefit funds), each 'splittable payment' made from the member spouse's interest will be split between the spouses according to the agreement or order</li> </ul>
Flagging arrangement	<ul style="list-style-type: none"> <li>● If a separating couple wish to defer splitting a superannuation interest or making a decision about how to split an interest (eg because the member spouse is soon to meet a condition of release), they can make a flagging agreement.</li> <li>● A flagging agreement prevents the trustee of the fund from making payments out of the fund or otherwise dealing with the interest until the flag is lifted.</li> </ul>

<sup>3</sup> The member spouse is the holder of the relevant superannuation interest.

<sup>4</sup> The non-member spouse is the spouse who does not hold the superannuation interest.

# First Home Super Saver Scheme

First Home Super Saver Scheme (FHSSS)	
Eligible contributions	Non-mandated employer contributions and personal contributions made from 1 July 2017. Existing CC and NCC caps apply (see page 34)
Maximum releasable amount	Eligible contributions of up to \$15,000 per year and \$30,000 in total, plus associated earnings. Note only 85% of eligible CCs can be released
Associated earnings	Earnings on eligible contributions calculated daily using Shortfall Interest Charge from: <ul style="list-style-type: none"> <li>• 1 July 2017 for contributions made in 2017/18, or</li> <li>• start of month in which the contribution was made for contributions made in 2018/19 and later financial years</li> </ul> until the date ATO makes a first home super saver determination
Withdrawals	Withdrawal of eligible contributions and associated earnings allowed from 1 July 2018 to purchase first home. Individual must: <ul style="list-style-type: none"> <li>• enter into contract to purchase/construct property within the following timeframes: <ul style="list-style-type: none"> <li>– no earlier than 14 days before the individual makes a request to the ATO for a release of funds</li> <li>– no later than 12 months after the release request to the ATO was made (or an additional 12 months where permitted by the ATO)</li> </ul> </li> <li>• purchase a property that is at greater than or equal to the amount withdrawn</li> <li>• intend to occupy the property as soon as practical, and</li> <li>• intend to occupy the property for at least 6 of the first 12 months</li> </ul> Alternatively, amount withdrawn (less tax withheld) may be recontributed to super as NCC within 12 months
Tax treatment of withdrawals	Amount of withdrawal that relates to CCs and earnings taxed at marginal rates less 30% tax offset
Notification	Individual must notify ATO within 28 days (or longer period allowed by ATO) of entering into contract to purchase/construct property or recontributing the amount that FHSSS requirements have been met
Eligibility criteria	To apply for first home super saver determination individual must: <ul style="list-style-type: none"> <li>• be aged 18 or more</li> <li>• never have held a freehold interest in real property, a long-term lease of land or a company title interest in land in Australia,<sup>5</sup> and</li> <li>• have not previously requested ATO make a first home super saver determination</li> </ul>

<sup>5</sup> An individual who has previously held a property interest can still meet this requirement if the ATO determines their prior property interest ceased due to financial hardship and they have not held a property interest since that time.

# Superannuation pension phase

## Account based pensions (ABPs)

Minimum percentage factors <sup>1</sup>				
Age	2008/09 to 2010/11	2011/12 to 2012/13	2013/14 to 2018/19	2019/20 to 2020/21 <sup>2</sup>
Under 65	2.00%	3.00%	4.00%	2.00%
65 – 74	2.50%	3.75%	5.00%	2.50%
75 – 79	3.00%	4.50%	6.00%	3.00%
80 – 84	3.50%	5.25%	7.00%	3.50%
85 – 89	4.50%	6.75%	9.00%	4.50%
90 – 94	5.50%	8.25%	11.00%	5.50%
95 and over	7.00%	10.50%	14.00%	7.00%

Feature	Description
Minimum payment in commencement year	<p>Pension commenced prior to 1 June:</p> <ul style="list-style-type: none"><li>pro-rate minimum by number of days in financial year that includes and follows the pension commencement day</li></ul> <p>Pension commenced from 1 June to 30 June:</p> <ul style="list-style-type: none"><li>no minimum pension required</li></ul>
Minimum payment in commutation year	<p>Pro-rate minimum by number of days income stream payable in financial year up to commutation date</p> <p>Pre-commutation minimum payment not required if:</p> <ul style="list-style-type: none"><li>commutation is a partial commutation and remaining account balance is sufficient to meet annual minimum payment; or</li><li>commutation results from death, family law split, surcharge payment or exercise of right under financial product cooling-off period.</li></ul>
Maximum payments	No maximum, except for TTR pensions (see over page)

<sup>1</sup> Multiply factor by 1 July account balance – see table below for pension commencement/commutation year pro-rating.

<sup>2</sup> Minimum drawdown requirements temporarily reduced in 2019/20 and 2020/21.

## Transition to retirement pensions

Transition to retirement (TTR) pensions are required to meet the rules below in addition to the rules for regular account based pensions.

Feature	Description
Maximum payments	10% pa (not pro-rated)
Commutation allowed	<p>At any time:</p> <ul style="list-style-type: none"> <li>● back to accumulation phase</li> <li>● to cash unrestricted non-preserved benefits (if any)</li> <li>● to pay superannuation surcharge</li> <li>● to effect a payment split to a non-member spouse</li> <li>● to allow payment under certain release authorities</li> <li>● where a condition of release has been met</li> </ul>
Moves to <i>retirement phase</i> (see page 92)	<ul style="list-style-type: none"> <li>● When member attains age 65 or notifies trustee they have met a condition of release for retirement, permanent incapacity or terminal medical condition</li> <li>● Upon death of a member where TTR pension is paid to a reversionary beneficiary.</li> </ul>

## Transfer balance cap

A limit (called the *transfer balance cap*) applies from 1 July 2017 to the amount of superannuation benefits that can be transferred into the *retirement phase* (see page 92) of superannuation (where earnings are exempt from tax) to commence an income stream.

### General transfer balance cap

Feature	Description
Inclusions	<ul style="list-style-type: none"> <li>● Account based pensions/annuities</li> <li>● Capped defined benefit income streams (see below)</li> <li>● TTR pensions where subsequent condition of release is met (see above)</li> </ul>
Exclusions	TTR pensions where subsequent condition of release has not been met
Impact of earnings	Earnings subsequently accrued on amounts in retirement phase not counted towards transfer balance cap
General transfer balance cap	<p>\$1.6 million lifetime limit</p> <p>Indexed annually with CPI and rounded down to nearest \$100,000</p>
Proportional indexation	If transfer balance cap is not fully utilised, amount of unused cap (based on highest transfer balance account value) is indexed proportionally in line with increases to general transfer balance cap
Treatment of excess	<ul style="list-style-type: none"> <li>● If transfer balance account exceeds cap, excess amount plus earnings must be moved back to accumulation or withdrawn as a lump sum</li> <li>● Earnings taxed at 15% for all breaches in 2017/18. From 2018/19, earnings taxed at 15% for first breaches and 30% for second and subsequent breaches</li> <li>● Excess transfer balance tax is levied on individual, not super fund</li> </ul>
Special rules	<p>Special rules apply for:</p> <ul style="list-style-type: none"> <li>● capped defined benefit income streams (see page 63)</li> <li>● child death benefit pensions (see page 64)</li> </ul>

## Transfer balance account

An individual will have a transfer balance account if they receive a *retirement phase* pension. A transfer balance account can be credited (increased) or debited (decreased) with transactions including:

Credits	Value of credit	Timing of credit
Existing <i>retirement phase</i> (see page 92) pensions	Value of interest as at 30 June 2017	The later of: <ul style="list-style-type: none"> <li>1 July 2017, and</li> <li>12 months from date pension becomes payable (for reversionary pensions only)</li> </ul>
<i>Retirement phase</i> pensions commenced on or after 1 July 2017	<ul style="list-style-type: none"> <li>Value of interest at commencement, or</li> <li>Value at time of death (for reversionary pensions only)</li> </ul>	The later of: <ul style="list-style-type: none"> <li>pension commencement date, and</li> <li>12 months from date pension becomes payable (for reversionary pensions only)</li> </ul>
Excess transfer balance earnings	Earnings on excess transfer balance calculated from day excess occurs to the earlier of the day: <ul style="list-style-type: none"> <li>ATO issues excess transfer balance determination</li> <li>Excess transfer balance amount (including earnings) is removed</li> </ul>	Each day there is an excess transfer balance
Repayment of an LRBA borrowing that increases the value of a <i>retirement phase</i> pension	Amount equal to increased value of pension interest	The time of the repayment

Debits	Value of debit	Timing of debit
Full or partial commutation	Amount of lump sum payment	When individual receives lump sum
Personal injury contributions (see page 36)	The amount of the contribution <sup>3</sup>	The later of: <ul style="list-style-type: none"> <li>pension commencement date, and</li> <li>12 months from date pension becomes payable (for reversionary pensions only)</li> </ul>
Loss arising from fraud or dishonesty	Amount of <i>retirement phase</i> pension reduced by loss	The time of the loss
Payment in compliance with bankruptcy notice	Amount of retirement phase pension paid to trustee in bankruptcy	The time of the payment
Payment split	Proportion of all income stream benefits to be paid to a spouse	The later of: <ul style="list-style-type: none"> <li>the operative time for the payment split as defined in the Family Law Act</li> <li>the time the individual first has a transfer balance account</li> </ul>

<sup>3</sup> For personal injury contributions made prior to 1 July 2017, the debit will be the greater of the contribution and the sum of the transfer balance credits arising from existing *retirement phase* pensions on 30 June 2017.

## Capped defined benefit income streams

Feature	Description
Inclusions	<ul style="list-style-type: none"> <li>• Lifetime pensions commenced at any time</li> <li>• Lifetime annuities commenced prior to 1 July 2017</li> <li>• Life expectancy pensions/annuities commenced prior to 1 July 2017</li> <li>• Market linked pensions/annuities commenced prior to 1 July 2017</li> </ul>
Special value (SV)	<p>Value of capped defined benefit income stream credited to transfer balance account. Calculated as:</p> <ul style="list-style-type: none"> <li>• Lifetime pension/annuity <ul style="list-style-type: none"> <li>– SV = annual entitlement x 16</li> </ul> </li> <li>• Life expectancy/market linked pension/annuity <ul style="list-style-type: none"> <li>– SV = annual entitlement x remaining term (rounded up)</li> </ul> </li> </ul> <p>Where:</p> <ul style="list-style-type: none"> <li>• Annual entitlement = first pension payment for year / number of days to which payment relates x 365</li> </ul>
Impact of commutations	<p>Where income stream is commuted, a debit arises in the individual's transfer balance account.</p> <p>For lifetime pensions/annuities:</p> <ul style="list-style-type: none"> <li>• debit value for full commutation = original credit - previous debits (excluding family law payment splits)</li> <li>• debit value for partial commutation = (original credit - previous debits) x (1 - SV after commutation/SV before commutation)</li> </ul> <p>For life expectancy/market linked pensions/annuities:<sup>4</sup></p> <ul style="list-style-type: none"> <li>• debit value for full commutation = original credit, less sum of: <ul style="list-style-type: none"> <li>– previous debits (excluding family law payment splits)</li> <li>– pension payments received from 1 July 2017 to 30 June of the financial year prior to commutation</li> <li>– the greater of the minimum pension payment required for the financial year of commutation, and the actual pension payment received in that year</li> </ul> </li> <li>• debit value for partial commutation = the lesser of: <ul style="list-style-type: none"> <li>– the debit that would arise for a full commutation, and</li> <li>– the actual value of the lump sum received from the commutation</li> </ul> </li> </ul>
Treatment of excess	Excess transfer balance resulting solely from capped defined benefit income stream disregarded
Defined benefit income cap	<p>\$100,000</p> <p>Indexed to general transfer balance cap / 16</p> <p>Cap pro-rated where pension commences, or member turns 60 during financial year</p>
Taxation of pension payments	<p>For those aged 60 or more, or receiving a death benefit pension where deceased was aged 60 or more, pension payments that exceed defined benefit income cap subject to additional tax</p> <ul style="list-style-type: none"> <li>• Pension paid from taxed source – 50% of excess included in assessable income</li> <li>• Pension paid from untaxed source – 10% pension tax offset not payable on excess</li> </ul>

<sup>4</sup> Legislation changing the method of calculating the debit value for commutations of life expectancy and market linked pensions/annuities received Royal Assent on 22 June 2020. The new method (outlined above) applies retrospectively from 1 July 2017. The ATO will work with super funds from November 2020 to manage re-reporting of commutations from these pension accounts.

## Child death benefit pensions

A modified transfer balance cap applies for a child receiving a death benefit pension. The amount of the modified transfer balance cap is the sum of the 'cap increment' the child receives for each death benefit pension.

The child's transfer balance amount will cease when their death benefit pensions are fully commuted (generally age 25, unless they have a qualifying disability).

PVF Factors			
Child pension commenced ...	Parent had transfer balance account	Source of child pension	Cap increment
Prior to 1 July 2017	N/A	N/A	General transfer balance cap (\$1.6 million)
On or after 1 July 2017	No	Accumulation phase	General transfer balance cap x child's percentage share of deceased's super interest
	Yes	Retirement phase only	Value of death benefit pensions received
	Yes	Accumulation phase only	Nil – death benefit pension generally excessive
	Yes	Both <i>retirement phase</i> and accumulation phase	<ul style="list-style-type: none"> <li>Value of death benefit pensions received from retirement phase only</li> <li>Death benefit pensions paid from accumulation generally excessive</li> </ul>



## Allocated Pension - payment factors

For the 2019/20 and 2020/21 financial years, the minimum limit is 50% of the amount calculated using the applicable factor. The minimum annual payments return to standard levels in 2021/22 and later years.

Table 1: Pension purchased on or after 1 January 2006<sup>5</sup>

PVF Factors			PVF Factors		
Age	Minimum	Maximum	Age	Minimum	Maximum
0	29.2	12.0	31	27.4	12.0
1	29.2	12.0	32	27.2	12.0
2	29.2	12.0	33	27.0	12.0
3	29.2	12.0	34	26.8	12.0
4	29.2	12.0	35	26.6	12.0
5	29.2	12.0	36	26.4	12.0
6	29.2	12.0	37	26.2	12.0
7	29.2	12.0	38	26.0	12.0
8	29.2	12.0	39	25.8	12.0
9	29.2	12.0	40	25.5	12.0
10	29.2	12.0	41	25.3	12.0
11	29.2	12.0	42	25.0	12.0
12	29.2	12.0	43	24.8	12.0
13	29.2	12.0	44	24.5	12.0
14	29.2	12.0	45	24.2	12.0
15	29.2	12.0	46	24.0	12.0
16	29.2	12.0	47	23.7	12.0
17	29.2	12.0	48	23.4	12.0
18	29.2	12.0	49	23.1	12.0
19	29.2	12.0	50	22.8	12.0
20	29.2	12.0	51	22.5	11.9
21	29.0	12.0	52	22.2	11.8
22	28.9	12.0	53	21.8	11.8
23	28.7	12.0	54	21.5	11.7
24	28.6	12.0	55	21.1	11.5
25	28.4	12.0	56	20.8	11.4
26	28.3	12.0	57	20.4	11.3
27	28.1	12.0	58	20.1	11.2
28	27.9	12.0	59	19.7	11.0
29	27.8	12.0	60	19.3	10.9
30	27.6	12.0	61	18.9	10.7

<sup>5</sup> For the 2005/06 year only, Table 2 may have been used for pensions purchased from 1 January 2006 to 30 June 2006.

Table 1: Pension purchased on or after 1 January 2006 (continued)

PVF Factors			PVF Factors		
Age	Minimum	Maximum	Age	Minimum	Maximum
62	18.5	10.5	82	9.6	1.4
63	18.1	10.3	83	9.1	No Maximum
64	17.7	10.1	84	8.7	No Maximum
65	17.3	9.9	85	8.3	No Maximum
66	16.8	9.6	86	7.9	No Maximum
67	16.4	9.3	87	7.5	No Maximum
68	16.0	9.1	88	7.2	No Maximum
69	15.5	8.7	89	6.9	No Maximum
70	15.1	8.4	90	6.6	No Maximum
71	14.6	8.0	91	6.3	No Maximum
72	14.2	7.6	92	6.0	No Maximum
73	13.7	7.2	93	5.8	No Maximum
74	13.3	6.7	94	5.5	No Maximum
75	12.8	6.2	95	5.3	No Maximum
76	12.3	5.7	96	5.1	No Maximum
77	11.9	5.1	97	4.9	No Maximum
78	11.4	4.5	98	4.7	No Maximum
79	10.9	3.8	99	4.5	No Maximum
80	10.5	3.1	100	4.4	No Maximum
81	10.0	2.3			

Table 2: Pension purchased before 1 January 2006

PVF Factors			PVF Factors		
Age	Minimum	Maximum	Age	Minimum	Maximum
0	28.6	10.0	31	26.7	10.0
1	28.6	10.0	32	26.5	10.0
2	28.6	10.0	33	26.3	10.0
3	28.6	10.0	34	26.0	10.0
4	28.6	10.0	35	25.8	10.0
5	28.6	10.0	36	25.6	10.0
6	28.6	10.0	37	25.3	10.0
7	28.6	10.0	38	25.1	10.0
8	28.6	10.0	39	24.8	10.0
9	28.6	10.0	40	24.6	10.0
10	28.6	10.0	41	24.3	10.0
11	28.6	10.0	42	24.0	10.0
12	28.6	10.0	43	23.7	10.0
13	28.6	10.0	44	23.4	10.0
14	28.6	10.0	45	23.1	10.0
15	28.6	10.0	46	22.8	10.0
16	28.6	10.0	47	22.5	10.0
17	28.6	10.0	48	22.2	10.0
18	28.6	10.0	49	21.9	10.0
19	28.6	10.0	50	21.5	9.9
20	28.6	10.0	51	21.2	9.9
21	28.5	10.0	52	20.9	9.8
22	28.3	10.0	53	20.5	9.7
23	28.1	10.0	54	20.1	9.7
24	28.0	10.0	55	19.8	9.6
25	27.8	10.0	56	19.4	9.5
26	27.6	10.0	57	19.0	9.4
27	27.5	10.0	58	18.6	9.3
28	27.3	10.0	59	18.2	9.1
29	27.1	10.0	60	17.8	9.0
30	26.9	10.0	61	17.4	8.9

Table 2: Pension purchased before 1 January 2006 (continued)

PVF Factors			PVF Factors		
Age	Minimum	Maximum	Age	Minimum	Maximum
62	17.0	8.7	82	8.3	No Maximum
63	16.6	8.5	83	7.9	No Maximum
64	16.2	8.3	84	7.5	No Maximum
65	15.7	8.1	85	7.1	No Maximum
66	15.3	7.9	86	6.8	No Maximum
67	14.9	7.6	87	6.4	No Maximum
68	14.4	7.3	88	6.1	No Maximum
69	14.0	7.0	89	5.8	No Maximum
70	13.5	6.6	90	5.5	No Maximum
71	13.1	6.2	91	5.3	No Maximum
72	12.6	5.8	92	5.0	No Maximum
73	12.2	5.4	93	4.8	No Maximum
74	11.7	4.8	94	4.6	No Maximum
75	11.3	4.3	95	4.4	No Maximum
76	10.8	3.7	96	4.2	No Maximum
77	10.4	3.0	97	4.0	No Maximum
78	10.0	2.2	98	3.8	No Maximum
79	9.5	1.4	99	3.7	No Maximum
80	9.1	No Maximum	100	3.5	No Maximum
81	8.7	No Maximum			

Source: *Superannuation Industry (Supervision) Regulations 1994*

## Term Allocated Pension (TAP)

Annual income may be varied by  $\pm 10\%$  of the amount calculated using the payment factors. Generally, this means the annual income can be between 90% and 110% (inclusive) of the amount calculated using the payment factors. However, for the 2019/20 and 2020/21 financial years the annual income can be between 45% and 110% (inclusive) of the amount calculated using the payment factors.

Payment Factors	
Remaining term	Required PF
1 or less	1.00
2	1.90
3	2.80
4	3.67
5	4.52
6	5.33
7	6.11
8	6.87
9	7.61
10	8.32
11	9.00
12	9.66
13	10.30
14	10.92
15	11.52
16	12.09
17	12.65
18	13.19
19	13.71
20	14.21
21	14.70
22	15.17
23	15.62
24	16.06
25	16.48
26	16.89
27	17.29
28	17.67
29	18.04
30	18.39
31	18.74
32	19.07
33	19.39
34	19.70
35	20.00

Payment Factors	
Remaining term	Required PF
36	20.29
37	20.57
38	20.84
39	21.10
40	21.36
41	21.60
42	21.83
43	22.06
44	22.28
45	22.50
46	22.70
47	22.90
48	23.09
49	23.28
50	23.46
51	23.63
52	23.80
53	23.96
54	24.11
55	24.26
56	24.41
57	24.55
58	24.69
59	24.82
60	24.94
61	25.07
62	25.19
63	25.30
64	25.41
65	25.52
66	25.62
67	25.72
68	25.82
69	25.91
70 or over	26.00

## Relevant number

The 2015-2017 Australian Life Tables (see page 71) are used as the basis for determining the range of available terms for TAPs (see page 70). For account based pensions that commenced before 1 January 2015, the Life Tables are used to determine the relevant number for the purposes of the social security income test (see page 83) and for pensions that commenced before 1 July 2007, the Life Tables were used to determine the relevant number for the purposes of the deductible amount (see page 71).

Date of commencement	Australian Life Table
1/1/2000 - 31/12/2004 <sup>6</sup>	1995-1997 tables
1/1/2005 - 31/12/2009	2000-2002 tables
1/1/2010 – 31/12/2014	2005-2007 tables
1/1/2015 – 31/12/2019	2010-2012 tables
On or after 1/1/2020	2015-2017 tables

## Term Allocated Pension (TAP) – available terms for pensions commencing from 1 January 2020

Age	Male	Female
60	25 – 40	27 – 40
61	24 – 39	27 – 39
62	23 – 38	26 – 38
63	22 – 37	25 – 37
64	21 – 36	24 – 36
65	20 – 35	23 – 35
66	20 – 34	22 – 34
67	19 – 33	21 – 33
68	18 – 32	20 – 32
69	17 – 31	20 – 31
70	16 – 30	19 – 30
71	16 – 29	18 – 29
72	15 – 28	17 – 28
73	14 – 27	16 – 27
74	13 – 26	15 – 26
75	13 – 25	15 – 25
76	12 – 24	14 – 24
77	11 – 23	13 – 23
78	11 – 22	12 – 22
79	10 – 21	12 – 21
80	10 – 20	11 – 20

<sup>6</sup> For TAPs commenced prior to 1 January 2005 there is choice of either the 1995-1997 or 2000-2002 Life Tables.

# Australian Life Tables

Age	Australian Life Tables 2010-2012		Australian Life Tables 2015-2017	
	Male	Male	Male	Female
0	80.06	80.06	80.76	84.85
1	79.39	79.39	80.05	84.11
2	78.42	78.42	79.07	83.12
3	77.44	77.44	78.08	82.14
4	76.45	76.45	77.09	81.14
5	75.46	75.46	76.10	80.15
6	74.46	74.46	75.11	79.16
7	73.47	73.47	74.11	78.16
8	72.48	72.48	73.12	77.17
9	71.49	71.49	72.12	76.17
10	70.49	70.49	71.13	75.18
11	69.50	69.50	70.14	74.18
12	68.51	68.51	69.14	73.19
13	67.51	67.51	68.15	72.19
14	66.52	66.52	67.16	71.20
15	65.53	65.53	66.17	70.21
16	64.55	64.55	65.18	69.22
17	63.56	63.56	64.20	68.23
18	62.59	62.59	63.23	67.25
19	61.63	61.63	62.26	66.26
20	60.67	60.67	61.29	65.28
21	59.70	59.70	60.32	64.29
22	58.74	58.74	59.36	63.30
23	57.78	57.78	58.39	62.32
24	56.81	56.81	57.43	61.33
25	55.85	55.85	56.46	60.35
26	54.89	54.89	55.50	59.36

Age	Australian Life Tables 2010-2012		Australian Life Tables 2015-2017	
	Male	Female	Male	Female
27	53.92	57.90	54.53	58.37
28	52.96	56.92	53.57	57.39
29	52.00	55.94	52.61	56.41
30	51.04	54.96	51.65	55.42
31	50.08	53.98	50.68	54.44
32	49.13	53.00	49.72	53.46
33	48.17	52.02	48.77	52.48
34	47.22	51.04	47.81	51.51
35	46.26	50.06	46.85	50.53
36	45.31	49.09	45.90	49.56
37	44.36	48.12	44.95	48.58
38	43.41	47.14	44.00	47.61
39	42.46	46.18	43.05	46.64
40	41.51	45.21	42.10	45.68
41	40.57	44.24	41.16	44.71
42	39.62	43.28	40.22	43.75
43	38.68	42.32	39.29	42.79
44	37.75	41.36	38.35	41.83
45	36.81	40.41	37.43	40.88
46	35.88	39.45	36.50	39.92
47	34.95	38.50	35.58	38.97
48	34.03	37.56	34.66	38.03
49	33.11	36.61	33.75	37.08
50	32.20	35.67	32.84	36.14
51	31.29	34.74	31.93	35.21
52	30.38	33.80	31.03	34.27
53	29.49	32.87	30.13	33.34

Age	Australian Life Tables 2010-2012		Australian Life Tables 2015-2017	
	Male	Female	Male	Female
54	28.59	31.95	29.24	32.42
55	27.71	31.02	28.35	31.49
56	26.83	30.10	27.47	30.57
57	25.95	29.19	26.60	29.66
58	25.09	28.28	25.73	28.75
59	24.22	27.37	24.87	27.84
60	23.37	26.47	24.02	26.93
61	22.52	25.57	23.17	26.03
62	21.68	24.68	22.33	25.14
63	20.85	23.80	21.50	24.24
64	20.03	22.92	20.67	23.36
65	19.22	22.05	19.86	22.47
66	18.41	21.18	19.04	21.60
67	17.62	20.33	18.24	20.73
68	16.84	19.48	17.45	19.87
69	16.07	18.64	16.67	19.02
70	15.31	17.80	15.90	18.18
71	14.56	16.98	15.14	17.35
72	13.83	16.18	14.39	16.53
73	13.11	15.38	13.66	15.73
74	12.40	14.60	12.95	14.93
75	11.72	13.83	12.25	14.15
76	11.05	13.08	11.57	13.39
77	10.41	12.33	10.90	12.64

Age	Australian Life Tables 2010-2012		Australian Life Tables 2015-2017	
	Male	Female	Male	Female
78	9.78	11.61	10.25	11.90
79	9.18	10.90	9.63	11.18
80	8.60	10.21	9.02	10.49
81	8.04	9.55	8.44	9.81
82	7.51	8.90	7.89	9.16
83	7.00	8.29	7.36	8.54
84	6.52	7.70	6.86	7.94
85	6.06	7.14	6.39	7.37
86	5.64	6.61	5.95	6.83
87	5.24	6.11	5.54	6.32
88	4.87	5.65	5.16	5.84
89	4.52	5.22	4.81	5.40
90	4.21	4.82	4.50	4.99
91	3.92	4.45	4.22	4.61
92	3.66	4.12	3.96	4.28
93	3.44	3.82	3.72	3.97
94	3.24	3.55	3.50	3.69
95	3.06	3.32	3.29	3.43
96	2.91	3.11	3.11	3.18
97	2.78	2.93	2.93	2.94
98	2.67	2.77	2.77	2.73
99	2.57	2.62	2.62	2.53
100	2.46	2.50	2.49	2.36

Source: Australian Government Actuary



# Superannuation benefits tax

## Calculation of tax components

Source	Tax free component	Taxable component
Crystallised segment (all values calculated as at 30 June 2007)	UDC, pre-July 83 component, concessional component, post June 1994 invalidity component, CGT exempt amounts.	Value of super interest less tax free component
Contributions segment	NCCs and other contributions not included in assessable income made on or after 1 July 2007.	
Other	Tax-free component of rollovers within super system after 1 July 2007 Excess untaxed roll-over amounts	

## Proportional component method for benefits

The tax components of superannuation benefits are required to be paid in proportion to the tax free and taxable components of the member's superannuation interest in the fund. In the case of a:

- lump sum or rollover, the components will generally be determined in the same proportion as the components of the member's superannuation interest in the fund at the time of payment.
- income stream, the payments (including pension and lump sum payments) are paid in the same proportion as the tax free and taxable components of the superannuation interest at the time the pension commenced (or at the time of a trigger event in the case of a pension that commenced before 1 July 2007).

## Income streams

Special rules may apply to income streams, depending on the income stream's commencement date.

Commencement date of income stream	Component calculation method
On or after 1 July 2007	Proportional component method
Before 1 July 2007 and subsequent trigger event <sup>1</sup> occurred.	Proportional method where tax free component at time of trigger event = Unused Undeducted Purchase Price (UPP) of existing pension plus any pre July 1983 component <sup>2</sup>
Before 1 July 2007 and no trigger event.	<p>Tax free amount (annual deductible amount) = <math>\frac{\text{UPP} - \text{RCV}}{\text{Relevant number}}</math></p> <p><i>Where</i>            RCV = Residual capital value            Relevant number = the life expectancy of the recipient or of the reversionary beneficiary (if any) if this is longer, at the commencement date of the income stream.</p> <p>Note: UPP depends on commencement date of income stream - refer table below</p>

<sup>1</sup> Trigger events include:

- 1 July 2007 if aged 60 or more at that date
- turning 60
- commutation (full or partial)
- death

<sup>2</sup> The pre July '83 component is not included for pensions that were purchased prior to 1 July 1994 or pensions purchased after that date wholly with a pre 1994 pension rollover amount.

## Calculation of Undeducted Purchase Price (UPP)

Date of commencement	Tax purposes
Pre 1 July 94	pre-July '83 + concessional + undeducted contributions
1 July 94 – 30 June 97 <sup>3</sup>	undeducted contributions
1 July 94 – 4 June 98 <sup>3</sup>	undeducted contributions + CGT exempt
After 4 June 98	undeducted contributions + CGT exempt + post-June '94 invalidity

## What is a 'superannuation interest'?

The ATO has provided guidance on its interpretation of the meaning of 'superannuation interest'.

Fund type	Meaning of 'superannuation interest'
SMSF	Each amount that supports a separate superannuation pension is a separate interest - multiple superannuation pensions may give rise to multiple superannuation interests. All remaining entitlements held for a member in a SMSF are considered to be one superannuation interest.
Non-SMSF, excluding public sector schemes	As for SMSFs, each amount that supports a separate superannuation income stream is a separate interest - multiple superannuation income streams may give rise to multiple superannuation interests. However, other entitlements in a fund may give rise to separate interests based on the factual structure of the fund. Broadly, entitlements held for a member in separate 'products' may give rise to separate interests, but entitlements in separate accounts in the same 'product' will not, unless it can be shown that each account is separate and distinct from other claims of that kind that the member has against the fund.
Public sector superannuation schemes	The principles above broadly apply, however the legislative basis of members' rights and obligations may result in 'accumulation' entitlements being separate interests.

<sup>3</sup> Unless attributable to a rollover from a pension/annuity starting before that date.

# Tax treatment of lump sum member benefits

1 July 2020 – 30 June 2021

Age	Tax free component	Taxable component	
		Element taxed	Element untaxed
Under preservation age	Non-assessable non-exempt income	20%*	30%* up to \$1,565,000 <sup>4</sup> 45%* above \$1,565,000 <sup>4</sup>
Preservation age to 59		0% up to \$215,000 <sup>5</sup> 15%* above \$215,000 <sup>5</sup>	15%* up to \$215,000 <sup>5</sup> 30%* \$215,000 <sup>5</sup> to \$1,565,000 <sup>4</sup> 45%* above \$1,565,000 <sup>4</sup>
Aged 60 and over	Non-assessable non-exempt income		15%* up to \$1,565,000 <sup>4</sup> 45%* above \$1,565,000 <sup>4</sup>

\* Plus Medicare levy.

## Notes:

- If no TFN is quoted, tax on the taxable component of member benefits should be withheld at highest MTR (plus Medicare levy) for taxpayers under age 60. For those 60 or over who have not quoted their TFN, only the element untaxed (if any) will be subject to withholding at the highest MTR (plus Medicare levy).
- For non-residents, tax arrangements in the taxpayer's country of residence will depend on the relevant legislation in that country. If there is a double tax agreement (DTA) between Australia and the country of residence, and the lump sum is also subject to tax in that country, the taxpayer may be eligible to claim a tax credit/deduction for any amount of Australian tax paid.
- Special tax arrangements apply to lump sum benefits paid to temporary residents departing Australia (see page 77).
- The element taxed (for those under 60) and element untaxed are added to the taxpayer's assessable income. The taxpayer receives a tax offset to ensure the effective tax rate does not exceed the maximum rate shown above.
- Benefits released under the new compassionate grounds condition of release for those financially impacted by the Coronavirus are non-assessable, non-exempt income.

<sup>4</sup> Untaxed plan cap applicable in 2020/21. Indexed annually with AWOTE, rounded down to nearest \$5,000. This is a lifetime cap that applies on a per plan basis.

<sup>5</sup> Low rate cap applicable in 2020/21. Indexed annually with AWOTE, rounded down to nearest \$5,000. This is a lifetime cap, reduced by earlier taxable lump sum member payments.

# Tax treatment of income stream member benefits

## Residents

Age	Tax free component	Taxable component	
		Element taxed	Untaxed element
Under preservation age	Non-assessable non-exempt income	Marginal tax rate* (see page 77 for disability benefits)	Marginal tax rate*
Preservation age to 59		Marginal tax rate* less 15% tax offset	
60 and over <sup>6</sup>	Non-assessable non-exempt income		Marginal tax rate* less 10% tax offset

\* Plus Medicare levy.

## Non-residents

Taxpayer	Tax treatment
Under 60, no DTA	<ul style="list-style-type: none"> <li>if no DTA exists between Australia and the taxpayer's country of residence, the pension income (excluding tax free component) is included in the taxpayer's Australian assessable income and taxed at non-resident tax rates</li> <li>recipients aged between preservation age and age 60, will generally be eligible for a 15% tax offset on the taxable component</li> <li>if the taxpayer has not quoted their TFN, the tax on the taxable component of the pension income will be withheld at the highest MTR*</li> <li>the pension income may also be subject to tax in the country of residence, depending on the arrangements that exist in that country.</li> </ul>
Under 60, DTA	If the individual resides in a country with which Australia has a DTA, the pension income will usually be subject to the tax arrangements that exist in their country of residence. (Relevant provisions of DTA should be checked as this is not always the case). If pension income is to be taxed in the individual's country of residence, withholding obligations will not apply in Australia.
Over 60, all	The superannuation pension income is non-assessable non-exempt (if paid from a taxed source). No withholding obligation exists within Australia (regardless of whether TFN is quoted). The taxpayer may be subject to tax arrangements applying to Australian sourced income that exist in their country of residence.

\* Medicare is not payable by non-residents.

<sup>6</sup> Income from capped defined benefit income streams paid to those aged 60 and over may be subject to additional tax from 1 July 2017.

# Disability superannuation benefits

## Tax treatment of lump sum benefits

A lump sum *disability superannuation benefit* (see page 92) includes an additional tax free component calculated as follows:

$$\text{Additional tax free component}^7 = \text{benefit amount} \times \frac{\text{Days to retirement}}{(\text{Service days} + \text{Days to retirement})}$$

Where:

- Days to retirement = number of days from day person stopped being capable of gainful employment to last retirement day (assumed to be 65th birthday in the absence of a specified retirement age)
- Service days = number of days in service period for the lump sum.

Note the ATO's view is that the denominator in this formula is equal to the number of days from the service period start date to the person's last retirement day, ie no day is counted twice.

## Tax treatment of income stream benefits

An income stream *disability superannuation benefit* (see page 92) is taxed as follows:

Age	Tax free component	Taxable component	
		Element taxed	Untaxed element
Under age 60	Non-assessable non-exempt income	Marginal tax rate* less 15% tax offset	Marginal tax rate*
60 and over <sup>8</sup>	Non-assessable non-exempt income		Marginal tax rate* less 10% tax offset

\* Plus Medicare levy.

## Terminal illness benefits

A lump sum benefit paid, from both taxed and untaxed schemes, to an individual because of a terminal medical condition (see page 54), is non-assessable non-exempt income.

## Departing Australia Super Payments

A lump sum paid under the 'temporary resident's permanent departure' condition of release (see page 54) is treated as a Departing Australia Super Payment (DASP) and subject to the following withholding tax rates, regardless of age:

Tax free component	Taxable component	
	Element taxed	Element untaxed
Non-assessable non-exempt income	35% <sup>9</sup>	45% <sup>9</sup>

- The payment (net of DASP withholding tax) is non-assessable and non-exempt income.
- The above tax rates also apply to a benefit that is paid to a former temporary resident from the ATO following the transfer from a superannuation fund under the unclaimed money provisions (see page 56)

<sup>7</sup> This is an additional tax free component, i.e. added to the tax free component of a lump sum calculated in ordinary circumstances. The ATO have indicated that the additional tax free component is available where the member rolls their benefit to a different superannuation interest.

<sup>8</sup> Payments from capped defined benefit income streams to those age 60 or more may be subject to additional tax from 1 July 2017 (see page 63).

<sup>9</sup> Tax rate increased to 65% where payment includes contributions made while temporary resident was a working holiday maker (ie a 417 or 462 visa or an associated bridging visa).

# Superannuation and estate planning

## Tax treatment of lump sum death benefits

Beneficiary (Tax definition)	Tax free component	Taxable component	
		Element taxed	Element untaxed
Dependant	Non-assessable non-exempt income	Non-assessable non-exempt income	
Non-dependant		15%*	30%*
Estate		Benefit is taxed as above depending on the extent to which a dependant or non-dependant benefits from proceeds**	

\* Plus Medicare levy.

\*\* Medicare levy is not payable if a super death benefit is paid to the deceased's estate.

### Notes:

- If no TFN is quoted, the taxable component of a death benefit paid to a non-dependant must have tax withheld at the highest MTR (plus Medicare levy).
- For non-residents, tax arrangements in the taxpayer's country of residence will depend on the relevant legislation in that country. If there is a double tax agreement (DTA) between Australia and the country of residence, and the lump sum is also subject to tax in that country, the taxpayer may be eligible to claim a tax credit/deduction for any amount of Australian tax paid.

## Calculation of taxed and untaxed elements

Where a lump sum death benefit is paid to a beneficiary who is not a dependant for tax purposes and the trustee of the fund has either claimed a deduction for life insurance premiums or for the future service portion of the benefit, the death benefit may include an element untaxed. This also applies to a death benefit that is rolled over to another superannuation fund by a dependent beneficiary for the purposes of commencing a pension. The components will be calculated as follows:

Component	Calculation
Tax free	Tax free component calculated under normal rules (see page 73)
Taxable (element taxed)	<p>Greater of:</p> <ul style="list-style-type: none"> <li>• Amount of lump sum <math>\times \frac{\text{Service days}}{\text{Service days} + \text{Days to retirement}}</math> - tax free component</li> </ul> <p>And</p> <ul style="list-style-type: none"> <li>• Nil</li> </ul> <p>Where:</p> <ul style="list-style-type: none"> <li>• Days to retirement = no. of days from day died to last retirement day (assumed to be 65th birthday in the absence of a specified retirement age)</li> <li>• Service days = no. of days in service period for the lump sum</li> <li>• Note: a further adjustment to this calculation applies if the death benefit lump sum is paid from an interest that existed pre 1 July 2007 which has an element untaxed and where deceased client had pre July 83 service</li> </ul>
Taxable (element untaxed)	Amount of lump sum less element taxed, less tax free component

# Death benefit income streams

## Commencement criteria

A death benefit can be paid in the form of a pension if the recipient is:

A SIS dependant (see below) who is not a child of the deceased ie includes:

- a spouse
- an 'ordinary meaning' dependant
- a person in an interdependency relationship,

Or

A child<sup>1</sup> who is:

- less than age 18, or
- aged 18 – 24 inclusive and was financially dependent on the deceased; or
- aged 18 or more and has a qualifying disability.<sup>2</sup>

## Tax treatment of death benefit income stream

Age	Tax free component	Taxable component	
		Element taxed	Untaxed element
Deceased and Dependant less than age 60	Non-assessable non-exempt income	Marginal tax rate* less 15% tax offset	Marginal tax rate*
Deceased or Dependant age 60 or more <sup>3</sup>	Non-assessable non-exempt income		Marginal tax rate* less 10% tax offset

\* Plus Medicare levy.

## Death benefit income streams – lump sum commutations

Circumstances	Tax treatment
Child death benefit pension commutation (where at least one pension payment has been made)	Non-assessable non-exempt income or can be rolled over to commence a new child death benefit pension
Death benefit pension commutation	Taxed as lump sum death benefit (see page 78) or can be rolled over to commence a new death benefit pension

<sup>1</sup> A death benefit pension that is paid to a child must cease when the child reaches age 25, unless the child has a qualifying disability.

<sup>2</sup> A 'qualifying disability' is defined in the *Disability Act 1986* (section 8) as a disability:

- attributable to an intellectual, psychiatric, sensory, physical or combination of such impairments;
- is permanent or likely to be permanent; and
- results in:
  - a substantially reduced capacity of the person for communication, learning or mobility; and
  - the need for ongoing support services.

<sup>3</sup> Payments from death benefit capped defined benefit income streams may be subject to additional tax from 1 July 2017 where the deceased or dependant are age 60 or more (see page 63).

## Definitions of dependant

Dependant includes	SIS	Tax
Spouse, including de facto	Yes	Yes
Former spouse	No	Yes
Child under age 18	Yes	Yes
Child aged 18 or more <sup>4</sup>	Yes	No
Person in interdependency relationship	Yes	Yes
'Ordinary meaning' dependant	Yes	Yes
Other	No	Yes – in limited circumstances <sup>5</sup>

The SIS definition of dependant determines who is eligible to receive a superannuation death benefit while the tax definition determines how the superannuation death benefit is taxed.

## Definitions of spouse, child and interdependency

Definitions of spouse, child and interdependency	
Spouse	<p>Includes:</p> <ul style="list-style-type: none"> <li>another person to whom the person is legally married;</li> <li>another person (whether of the same or different sex) with whom the person lives on a genuine domestic basis in a relationship as a couple; and</li> <li>another person with whom the person has a certain type of registered relationship under a certain state and territory laws. Currently, ACT, NSW, Tas, Vic, SA and QLD have laws enabling the registration of opposite and same sex couple relationships</li> </ul>
Child	<p>Includes:</p> <ul style="list-style-type: none"> <li>an adopted child, a stepchild or an ex-nuptial child of the person;</li> <li>a child of the person's spouse; and</li> <li>someone who is a child of the person within the meaning of the Family Law Act 1975 (which includes children born as a result of artificial conception or under surrogacy arrangements)</li> </ul>
Interdependency relationship	<p>Two persons (whether or not related by family) have an interdependency relationship if all of the following are satisfied:</p> <ul style="list-style-type: none"> <li>they have a close personal relationship; and</li> <li>they live together; and</li> <li>one or each of them provides the other with financial support; and</li> <li>one or each of them provides the other with domestic support and personal care</li> </ul> <p>Note: Additional provisions apply where the dependency definition is not met due to one member having a disability.</p>

<sup>4</sup> Unless they otherwise meet dependency requirements eg through interdependency or as an 'ordinary meaning' dependant

<sup>5</sup> In certain circumstances, if an individual who is not otherwise a tax dependant will be treated as a tax dependant if they receive a death benefit lump sum in relation to a person who died in the line of duty as:

- a member of the Defence Force,
- a member of the Australian Federal Police, State or Territory Police Force or
- a protective services officer.



## Tax free income thresholds – if sole source of income

The figures below illustrate the maximum amount of assessable income that can be received before tax applies. Payments from the ABP are assumed to be all taxable component - element taxed. These figures also assume no other income is received and both the low income tax offset and low and middle income tax offset apply. Medicare levy may be payable.

Income Source	Effective maximum tax free income
	2020/21
Child/single person pension (ABP)	\$55,436
Testamentary trust	\$21,884

# Social security and aged care

## Age Pension ages

Date of birth from	To	Qualification age	
		Female	Male
	31 December 1953	Already qualified	
1 January 1954	30 June 1955	66.0	66.0
1 July 1955	31 December 1956	66.5	66.5
1 January 1957 or later		67.0	67.0

## Service Pension ages (Veterans)

Date of birth	Qualification age	
	Female	Male
On or before 31 December 1953	Already qualified	
1 January 1954 or later	60.0	60.0

Note: Non-veterans receiving support from the Department of Veterans' Affairs are subject to the Age Pension age requirements.

# Age Pension

## Pension payment maximum basic rates

20 September 2020 – 19 March 2021

	Pension rate (includes pension supplement and energy supplement) <sup>1</sup>
Single	\$24,551.80 per annum (\$944.30 per fortnight)
Couple	Combined: \$37,013.60 per annum (\$711.80 each per fortnight)
Indexation	<ul style="list-style-type: none"><li>Indexed by greater of CPI and Pensioner and Beneficiary Living Cost Index on 20 March and 20 September each year</li><li>Single pension rate subject to a minimum of 27.7% of Male Total Average Weekly Earnings</li></ul>

## Assets test thresholds

20 September 2020 – 19 March 2021

	Homeowner		Non-Homeowner	
	Full pension	Pension cut out	Full pension	Pension cut out
Single	\$268,000	\$583,000	\$482,500	\$797,500
Couple	\$401,500	\$876,500	\$616,000	\$1,091,000
Reduction rate	Pension reduced by \$78 per annum per \$1,000 of assets over full pension thresholds.			
Indexation	<ul style="list-style-type: none"><li>Full pension thresholds are indexed each 1 July in line with CPI</li><li>Cut out thresholds applicable from 20 September 2020 to 19 March 2021. Adjusted 20 March, 1 July and 20 September</li></ul>			

## Income test thresholds

20 September 2020 – 19 March 2021

	Full pension	Pension cut out
Single	\$4,628.00 pa	\$53,731.60 pa
Couple	\$8,216.00 pa	\$82,243.20 pa
Reduction rate	Pension is reduced by \$0.50 (singles) and \$0.25 (each member of a couple) per \$1.00 of income over full pension thresholds	
Indexation	<ul style="list-style-type: none"><li>Full pension thresholds indexed each 1 July in line with CPI</li><li>Cut out thresholds applicable 20 September 2020 to 19 March 2021. Adjusted 20 March, 1 July and 20 September</li></ul>	

<sup>1</sup> In the 2020 Federal Budget, the Government announced the payment of two separate \$250 economic support payments for recipients of certain Commonwealth income support payments including the Age Pension, Disability Support Pension, Carer Payment, Carer Allowance and Veterans' Affairs. Not law at time of writing.

## Work Bonus

1 July 2020 – 30 June 2021

Work Bonus		2020/21
Employment/self-employment income exempt from income test		\$300 pf
Maximum accrued unused Work Bonus		\$7,800
Effective employment income threshold <sup>2</sup>	Single	\$12,428
	Couple (combined)	\$23,816

## Pension Bonus Scheme

20 September 2020 – 19 March 2021

The Pension Bonus Scheme is a voluntary scheme that rewards people who defer claiming Age or Service Pension. The scheme **closed** to new entrants on 20 September 2009 and was replaced by the Work Bonus (see above). Existing members of the scheme will continue to accrue entitlements under the old rules.

Bonus years	Maximum Bonus - Single	Maximum Bonus - Couple (each)
1 year	\$2,162.50	\$1,634.10
2 years	\$8,649.80	\$6,536.20
3 years	\$19,462.10	\$14,706.50
4 years	\$34,599.20	\$26,144.90
5 years	\$54,061.30	\$40,851.50
Bonus	A tax free lump sum calculated as: <ul style="list-style-type: none"> <li>• Bonus = Age Pension<sup>3</sup> x (0.094 x Years in scheme) x Years in scheme</li> </ul> Bonus can be accrued for a maximum of 5 years, or until the client reaches age 75	
Eligibility criteria	Claimant must: <ul style="list-style-type: none"> <li>• have qualified for the Age Pension before 20 September 2009</li> <li>• continue to work past the date of meeting age and residence requirements for Age Pension purposes and complete at least 960 hours of gainful work per year, and</li> <li>• be registered in the Pension Bonus Scheme</li> </ul>	

<sup>2</sup> Represents the maximum employment income that can be received without impacting Age Pension entitlements (assuming no other assessable income). Income above this amount will reduce the maximum pension entitlement under the Income Test.

<sup>3</sup> This is the taxable portion of the maximum pension rate payable for singles or couples.

## Deeming

1 July 2020 – 30 June 2021

Under the income test, financial assets such as bank accounts, managed investments and shares are deemed to earn a certain rate of income, regardless of the income actually earned.

Status	Deeming threshold	Max financial asset to receive full pension <sup>4</sup>	Rate below threshold	Rate above threshold
Single	\$53,000	\$252,800 (homeowner and non-homeowner)	0.25%	2.25%
Couple	\$88,000	\$401,500 (homeowner) \$443,377 (non-homeowner)		

## Superannuation accumulation assessment

The table below outlines how superannuation accumulation funds are assessed under the Assets and Income Tests. Salary sacrificed super contributions are counted as income for Age Pension purposes.

Super accumulation		Income test	Asset test
Under Age/Service Pension age	Account balance	Not assessed	Not assessed
	Lump sum withdrawal		
From Age/Service Pension age	Account balance	Deemed	Account balance
	Lump sum withdrawal	Not assessed	Not assessed

<sup>4</sup> These figures assume the client has no other assessable assets or income and will change on 1 July each year or with a change in deeming thresholds or rates. For Couple homeowners, assets above this level result in a pension reduction due to the assets test.

## Superannuation income stream assessment

The table below outlines how superannuation income streams (non-defined benefit) are assessed under the Assets and Income Tests.

Super income stream	Income test	Asset test	
Assets Test exempt (ATE) eg term allocated pension	$AI - \frac{PP}{RN}$	<u>Start date:</u> pre 20 Sept 04 20 Sept 04 -19 Sept 07 post 20 Sept 07	ATE: 100% 50% Nil <sup>5</sup>
Account based income stream	If commenced on or before 31 Dec 14 and recipient is in continuous receipt of income support payments from this date: $AI - \frac{PP}{RN}$  Otherwise: Deemed	Account balance	
Term annuity > 5 years (with no account balance) <sup>6</sup>	$AI - \frac{(PP - RCV)}{RN}$	$PP - \frac{(PP - RCV)}{RN} \times Y$	
Term ≤ 5 years	Deemed		
Lifetime pension commenced on or after 1 July 2019 <sup>7</sup>	60% of annual payment assessed	60% of purchase price assessed to the later of: <ul style="list-style-type: none"> <li>● age 84</li> <li>● 5 years from commencement, 30% of purchase price assessed for remainder</li> </ul>	

Where:

AI = Annual income being gross payment received during the year

PP = Purchase price less any commuted amounts

RCV = Residual capital value

RN = Relevant number (generally the life expectancy of the recipient or of the reversionary (if any) if this is longer, at commencement date. However, for a fixed term income stream the RN is the term of the income stream)

ATE = Assets Test exemption

Y = Years elapsed

<sup>5</sup> In limited circumstances, a 100% or 50% ATE may apply if the income stream is funded from the commutation/rollover of a previous asset test exemption income stream.

<sup>6</sup> Alternatively, a term of 5 years or less where the term is equal to or greater than the individual's life expectancy at commencement.

<sup>7</sup> Must meet capital access schedule requirements. These limit the amount of capital that can be accessed as a result of voluntary commutation or on death.

## Assessment of other assets

Asset or action	Income test	Assets test
Controlling interest in trust or company	Attributed portion of income of the trust or company	Market value of attributed assets of the trust or company is assessable.
Life policy surrendered or matured	Profit assessed as income for 12 months from surrender/maturity date	The surrender value of the policy is assessable under the assets test.
Gifting <sup>8</sup>	Gifts above allowable amount will be deemed for 5 years from the date of gift	Gifts above allowable amount assessed for 5 years from the date of gift

## Commonwealth Seniors Health Card<sup>9</sup>

20 September 2020 – 19 September 2021

Income assessed	<i>Adjusted taxable income</i> (see page 92) plus deemed income from certain account based pensions from 1 January 2015 <sup>10</sup>	
Cut-out threshold - single	\$55,808	Thresholds increased by \$639.60 for each dependent child cared for
Cut-out threshold - couple	\$89,290 (combined)	
Cut-out threshold - couple (illness separated)	\$111,616 (combined)	
Eligibility criteria	<p>A claimant must:</p> <ul style="list-style-type: none"> <li>● be an Australian resident, living in Australia</li> <li>● not be subject to a newly arrived residents waiting period</li> <li>● have reached Age Pension age but not qualify for Age Pension (or not receive certain other Social Security/Veterans' Affairs pensions/benefits)</li> </ul> <p>Those who lost their Age Pension entitlement because of the asset test changes effective from 1 January 2017 will automatically qualify for the CSHC</p>	
Indexation	Income thresholds indexed each 20 September in line with CPI	

Note: Energy Supplement payments are only paid to CSHC holders who have continuously held the card since 19 September 2016.

<sup>8</sup> Up to \$10,000 can be gifted each financial year, subject to a maximum of \$30,000 over 5 years.

<sup>9</sup> In the 2020 Federal Budget, the Government announced the payment of two separate \$250 economic support payments for holders of the Commonwealth Seniors Health Card. Not law at time of writing.

<sup>10</sup> Deemed income from account based pensions is not included in the income test for Commonwealth Seniors Health Card (CSHC) where the pension commenced on or before 31 December 2014 provided the CSHC is held continuously from 31 December 2014.

## Pension loans scheme

2020/21	
Eligibility	Individual: <ul style="list-style-type: none"> <li>● or their partner is at least Age Pension age</li> <li>● qualifies for a pension (including a nil payment rate)</li> <li>● is not bankrupt or subject to an insolvency agreement</li> <li>● owns real estate in Australia</li> <li>● has adequate and appropriate insurance for property securing loan</li> <li>● meets residency requirements</li> <li>●</li> </ul>
Max fortnightly loan	150% of max pension less actual pension received
Total loan limit	Age component amount x value of real assets <sup>11</sup> /10,000
Interest rate	4.5% pa compounded fortnightly

### Age component amount<sup>12</sup>

Age	Factor	Age	Factor	Age	Factor
55 or younger	\$2,430	67	\$2,740	79	\$4,380
56	\$2,530	68	\$2,850	80	\$4,560
57	\$2,630	69	\$2,960	81	\$4,740
58	\$2,740	70	\$3,080	82	\$4,930
59	\$2,850	71	\$3,200	83	\$5,130
60	\$2,960	72	\$3,330	84	\$5,330
61	\$3,080	73	\$3,460	85	\$5,550
62	\$3,200	74	\$3,600	86	\$5,770
63	\$3,080	75	\$3,750	87	\$6,000
64	\$2,430	76	\$3,900	88	\$6,240
65	\$2,530	77	\$4,050	89	\$6,490
66	\$2,630	78	\$4,210	90 or more	\$6,750

<sup>11</sup> The value of property used as security for the loan less minimum amount individual is entitled to retain out of proceeds if charge over the property is enforced. For each member of a couple, 50% of the securing property is used to determine the maximum loan amount.

<sup>12</sup> Based on individual's age at last birthday. For couples, age of the younger partner is used.



# Residential aged care

## Fees and charges – new residents from 1 July 2014

Individuals who enter care from 1 July 2014 may be asked to pay one or more of the following fees.

Fee Type	Description
Basic daily fee	<ul style="list-style-type: none"> <li>Contribution towards day-to-day living cost</li> <li>Payable by all residents</li> <li>Set at 85% of the annual single person rate of basic Age Pension, or \$52.25 per day (from 20 September 2020 to 19 March 2021)</li> </ul>
Means tested fee	<ul style="list-style-type: none"> <li>Additional daily care fee based on income and assets</li> <li>Replaces income tested fee for residents who enter care on or after 1 July 2014</li> </ul> <p>See table below for further details</p>
Accommodation payment or contribution	<ul style="list-style-type: none"> <li>A payment for, or contribution towards, the cost of aged care accommodation based on income and assets</li> <li>Replaces accommodation bond and charge for residents who enter care on or after 1 July 2014</li> <li>Can be paid upfront, periodically, or combination of both</li> </ul> <p>See page 90 for further details</p>
Extra services costs	<ul style="list-style-type: none"> <li>Additional fee for higher standard of accommodation, services and food</li> <li>Fee set by aged care facility</li> </ul>

## Means tested fee

20 September 2020 – 19 March 2021

An individual's means tested fee is calculated as follows:

Means tested fee = means tested amount – maximum accommodation supplement

Where:

- means tested amount = income tested amount + assets tested amount
- maximum accommodation supplement = \$21,181.16 per annum (from 20 September 2020 to 19 March 2021)

Means tested fee is capped at amount Government would otherwise pay in subsidy and primary care supplements. An annual cap of \$28,087.41 and a lifetime cap of \$67,409.85 also apply.

Income test		
	Income threshold	Income tested amount
Single	\$27,840.80 pa	50% of income above threshold
Couple (each)	\$27,320.80 pa	
Income assessed	Includes (but not limited to) income from: <ul style="list-style-type: none"> <li>employment</li> <li>income support payments (eg Age/Service Pension)</li> <li>overseas pensions</li> <li>deemed income</li> <li>real estate (excludes rent from former home where daily accommodation payments or contributions are made)<sup>13</sup></li> </ul> For each member of a couple, half of the couple's combined income is counted	
Indexation	Income thresholds applicable 1 July 2020 to 19 September 2020. Adjusted 20 March, 1 July and 20 September	

<sup>13</sup> The rental income exemption for residents who are renting out their former home and paying their accommodation costs by periodic payment has been removed for new residents entering care on or after 1 January 2016.

Assets test		
	Assets threshold	Assets tested amount
Single/Couple (each)	Up to \$50,500	Nil
	\$50,500 to \$171,535.20	17.5% of assets between thresholds
	\$171,535.20 to \$413,605.60	\$21,181.16 + 1% of assets between thresholds
	Above \$413,605.60	\$23,601.86 + 2% of assets above threshold
Assets assessed	<p>Includes (but not limited to):</p> <ul style="list-style-type: none"> <li>financial assets</li> <li>real estate</li> <li>superannuation</li> <li>motor vehicles, boats and caravans</li> <li>household contents and personal effects</li> <li>value of former home, except if occupied by an eligible person (capped at \$171,535.20 per person)</li> <li>balance of any refundable accommodation deposit or contribution</li> </ul> <p>For each member of a couple, half of the couple's combined assets are counted</p>	
Indexation	Assets thresholds applicable 20 March 2020 to 19 September 2020. Adjusted 20 March and 20 September	

## Accommodation payments and contributions

20 September 2020 – 19 March 2021

The amount payable for aged care accommodation is based on an individual's income and assets and will be either:

- an accommodation contribution – requires an individual to pay part of their accommodation costs
- an accommodation payment – requires an individual to pay the full cost of their accommodation

No accommodation payment or contribution is payable where income and assets are below income and lower assets thresholds (see page 89).

	Accommodation contribution	Accommodation payment
Rules for charging	<p>Cannot be charged:</p> <ul style="list-style-type: none"> <li>unless individual's means tested amount at date of entry is less than maximum accommodation supplement for that date (see page 89)</li> <li>for respite care</li> </ul>	<p>Cannot be charged:</p> <ul style="list-style-type: none"> <li>unless individual's means tested amount is equal to, or greater than, the maximum accommodation supplement (see page 89), or</li> <li>they have not provided sufficient information to work out a means tested amount</li> <li>for respite care</li> </ul>
Maximum accommodation payment or contributions	Individual's maximum daily accommodation contribution <sup>14</sup> x 365 / MPIR <sup>15</sup>	\$550,000 (or higher amount as approved by Aged Care Pricing Commissioner)
Payment options	<ul style="list-style-type: none"> <li>Refundable accommodation deposit (RAD) or contribution (RAC) (ie upfront lump sum)</li> <li>Daily accommodation payments (DAP) or contributions (DAC) (ie ongoing payments) calculated as: refundable deposit x MPIR<sup>15</sup> / 365</li> <li>Combination of refundable deposit and daily payments</li> </ul>	
Minimum permissible assets	<p>Aged care facility cannot accept RAD or RAC that would leave an individual with assets of less than \$50,500</p> <p>Note: Assets assessment is the same as for means tested fee, except value of former home is not capped.</p>	
Maximum permissible interest rate	4.10% for new residents from 1 October 2020 to 31 December 2020	

<sup>14</sup> Lesser of individual's means tested amount and facility's maximum accommodation supplement.

<sup>15</sup> Maximum permissible interest rate.

## Fees and charges – pre 1 July 2014 residents

Individuals who entered care prior to 1 July 2014 may be asked to pay one or more of the following fees.

Fee Type	Description
Basic daily fee	<ul style="list-style-type: none"> <li>Contribution towards day-to-day living cost</li> <li>Payable by all residents</li> </ul> See table below
Income tested fee	<ul style="list-style-type: none"> <li>Additional daily care fee based on income</li> <li>Only payable by residents who entered care prior to 1 July 2014</li> </ul> See table below
Accommodation bond or charge	<ul style="list-style-type: none"> <li>A payment for, or contribution towards, the cost of aged care accommodation based on assets</li> <li>Can be paid upfront, periodically, or combination of both</li> <li>No change to existing payment arrangements for residents who entered care prior to 1 July 2014</li> </ul>
Extra services costs	<ul style="list-style-type: none"> <li>Additional fee for higher standard of accommodation, services and food</li> <li>Fee set by aged care facility</li> </ul>

## Aged care resident types

Fee Type	Definition
Standard (includes respite residents)	Applies to most aged care residents, including full and some part pensioners, with lower amounts of private income.
Protected	Applies to residents in care on 19 September 2009, including part pensioners with private income above a set income threshold and self-funded retirees who were in permanent aged care on 19 September 2009.
Phased	Applies to residents who entered permanent care on or after 20 September 2009, including part pensioners with private income above a set income threshold and self-funded retirees who entered care on or after 20 September 2009.
Non-standard	Applies to certain residents who entered care prior to 20 March 2008, including <ul style="list-style-type: none"> <li>self-funded retirees</li> <li>pensioners who have agreed to pay a big bond, or</li> <li>residents who chose not to disclose their financial information to Centrelink.</li> </ul>

## Basic daily fee and income tested fee

20 September 2020 – 19 March 2021

Individuals in aged care prior to 1 July 2014 remain subject to the pre 1 July 2014 fee arrangements, unless they move to a new facility and elect to be assessed under the new rules. Basic daily fee adjusted 20 March and 20 September. Income tested fee thresholds adjusted 20 March, 1 July and 20 September.

Fee Type	Basic daily fee	Income tested fee thresholds		Income tested fee
		Single	Couple <sup>16</sup> each	
Standard	\$52.25	\$27,840.80	\$27,320.80	5/12 <sup>th</sup> of income above threshold, up to maximum of \$82.98 per day
Protected	\$47.63	\$23,415.60	\$22,895.60	
Phased	\$52.25	\$27,840.80	\$27,320.80	
Non-Standard	\$59.31	\$27,840.80	\$27,320.80	

<sup>16</sup> For couples, half of the combined income is counted.

# Glossary

Term	Definition	Related sections
Adjusted taxable income	<p>The sum of an individual's:</p> <ul style="list-style-type: none"> <li>• taxable income</li> <li>• adjusted fringe benefits in Australia</li> <li>• target foreign income</li> <li>• total net investment losses</li> <li>• reportable super contributions</li> <li>• tax free social security or DVA pension or benefit for that year*</li> <li>• less deductible child maintenance expenditure*</li> </ul> <p>* Excluded from the definition of adjusted taxable income for CSHC purposes.</p>	<ul style="list-style-type: none"> <li>• FTB Part A – page 22</li> <li>• FTB Part B – page 23</li> <li>• Paid parental leave – page 24</li> <li>• Child care subsidy – page 25</li> <li>• LISTO – see page 38</li> <li>• CSHC – page 87</li> </ul>
Disability superannuation benefit	<p>A superannuation benefit paid to a person because he or she suffers physical or mental ill-health and two legally qualified medical practitioners have certified that, because of the ill-health, it is unlikely that the person can ever be gainfully employed in a capacity for which he or she is reasonably qualified because of education, training or experience</p>	<ul style="list-style-type: none"> <li>• Total and permanent disability insurance – page 46</li> <li>• Tax treatment of disability benefits – page 77</li> </ul>
Income for surcharge purposes	<p>The sum of an individual's:</p> <ul style="list-style-type: none"> <li>• taxable income (excluding the taxable component of a superannuation lump sum taxed at 0%)</li> <li>• reportable fringe benefits total</li> <li>• total net investment losses, and</li> <li>• reportable super contributions (eg salary sacrifice and personal deductible)</li> </ul>	<ul style="list-style-type: none"> <li>• Medicare levy surcharge – page 7</li> <li>• Private health insurance rebate – page 13</li> </ul>
Rebate income	<p>The sum of an individual's:</p> <ul style="list-style-type: none"> <li>• taxable income</li> <li>• adjusted fringe benefits</li> <li>• total net investment losses, and</li> <li>• reportable super contributions (see below)</li> </ul>	<ul style="list-style-type: none"> <li>• Seniors and pensioners tax offset – page 11</li> </ul>
Reportable employer super contributions (RESC)	<p>Includes all employer<sup>17</sup> contributions 'in respect of the income year'<sup>18</sup> that exceed SG (eg salary sacrifice) to the extent the individual influences:</p> <ul style="list-style-type: none"> <li>• size of the contribution, or</li> <li>• the way the amount is contributed so that assessable income is reduced</li> </ul> <p>Excludes:</p> <ul style="list-style-type: none"> <li>• employer contributions included in assessable income, and</li> <li>• amounts the employer is required to contribute by an industrial award or rules of a super fund, and the individual does not have capacity to influence the contribution</li> </ul>	<ul style="list-style-type: none"> <li>• Spouse contribution tax offset – page 12</li> <li>• Co-contribution – page 38</li> <li>• Low income super tax offset – page 38</li> <li>• Claim tax deductions – personal super contributions – page 39</li> </ul>
Reportable super contributions (RSC)	<p>The sum of an individual's:</p> <ul style="list-style-type: none"> <li>• RESC for the income year, and</li> <li>• personal super contributions claimed as a tax deduction for the income year</li> </ul>	<ul style="list-style-type: none"> <li>• HELP – page 10</li> </ul>

<sup>17</sup> For the purposes of RESC, 'employer' has the expanded meaning given by section 12 of the Superannuation Guarantee (Administration) Act 1992 (with the exception that a person who is paid to do work wholly or principally of a domestic or private nature for not more than 30 hours per week is regarded as an employee in relation to that work for the purposes of RESC).

<sup>18</sup> 'In respect of an income year' means a contribution may be included in RESC for a financial year irrespective of when it is actually made. For example, salary sacrifice contributions made in respect of the last quarter of 2019/20, but actually contributed by the employer in July 2020 are included in RESC for 2019/20.

Term	Definition	Related sections
Retirement phase	The period during which a superannuation income stream is payable to a member who has met a condition of release with a nil cashing restriction. Earnings on income streams in the retirement phase are exempt from tax	<ul style="list-style-type: none"> <li>● Other entity taxation rates – page 16</li> <li>● TTR pensions – page 61</li> <li>● Transfer balance cap – page 61</li> </ul>
Total superannuation balance	<p>The sum of an individual's:</p> <ul style="list-style-type: none"> <li>● value of accumulation phase interests (including transition to retirement pensions)</li> <li>● transfer balance account (excluding account based and market linked pensions credits/debits and personal injury contribution debits)</li> <li>● current balance of account based pensions and market linked pensions</li> <li>● rollovers in transit between funds</li> <li>● for SMSF members, a portion of the fund's outstanding LRBA loan balance where the loan is entered into on or after 1 July 2018 and the member has met a full condition of release or the loan is with a related party of the fund</li> <li>● less personal injury contributions</li> </ul>	<ul style="list-style-type: none"> <li>● Spouse contribution tax offset – page 12</li> <li>● Contribution eligibility – page 33</li> <li>● Carry-forward unused CC cap – page 34</li> <li>● NCC cap – page 35</li> <li>● Co-contribution – page 38</li> </ul>
Transfer balance cap	This is a lifetime limit on the amount of superannuation benefits that can be transferred to the <i>retirement phase</i> to commence an income stream	<ul style="list-style-type: none"> <li>● Spouse contribution tax offset – page 12</li> <li>● Transfer balance cap – page 61</li> </ul>

## Contact information

For more information about Macquarie products, contact us on 1800 808 508 or fax us at 1800 550 140. You can also email us at [adviser@macquarie.com](mailto:adviser@macquarie.com) or visit our website at [macquarie.com.au/advisers](http://macquarie.com.au/advisers)

If you need to write to us, our address is:  
Macquarie Investment Management Limited  
GPO Box 4045, Sydney NSW 2001

## Other contact information

**FPA**  
1300 337 301  
[fpa.com.au](http://fpa.com.au)

**ATO super enquiries**  
131 020  
[ato.gov.au/super](http://ato.gov.au/super)

**ATO personal tax enquiries**  
132 861  
[ato.gov.au/individuals](http://ato.gov.au/individuals)

**Centrelink hotline**  
132 300  
[servicesaustralia.gov.au](http://servicesaustralia.gov.au)

**APRA enquiries**  
1300 558 849  
[apra.gov.au](http://apra.gov.au)

**ASIC**  
1300 300 630  
[asic.gov.au](http://asic.gov.au)