Facts and Figures 2010/2011

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This information is based on our interpretation of relevant superannuation, social security and taxation laws as at 1 July 2010.

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Personal Tax Rates

2010/2011	Tax Payable (Resident) [1]	Tax Payable (Non-resident)
\$0–\$6,000	Nil	29%
\$6,001–\$37,000	15%	\$1,740 + 29%
\$37,001–\$80,000	\$4,650 + 30%	\$10,730 + 30%
\$80,001–\$180,000	\$17,550 + 37%	\$23,630 + 37%
\$180,001 +	\$54,550 + 45%	\$60,630 + 45%

2009/2010	Tax Payable (Resident) [1]	Tax Payable (Non-resident)
\$0–\$6,000	Nil	29%
\$6,001–\$35,000	15%	\$1,740 + 29%
\$35,001–\$80,000	\$4,350 + 30%	\$10,150 + 30%
\$80,001–\$180,000	\$17,850 + 38%	\$23,650 + 38%
\$180,001 +	\$55,850 + 45%	\$61,650 + 45%

1 Plus Medicare levy.

Minor Tax Rates

Eligible Taxable Income [2]	Tax Payable
\$0–\$416 [3]	Nil
\$417–\$1,307	66% of excess over \$416
\$1,308 +	45% of entire Eligible Taxable Income [2]

2 Includes ‘unearned income’ such as dividends and interest but excludes income from sources such as business, employment and deceased estates (as well as income from the reinvestment of these amounts).

3 As minors qualify for the low income tax offset (see page 4), the maximum tax-free income they can receive is \$3,333 pa.

Medicare Levy and Surcharge

Medicare Levy (2009/2010)

Single Taxable Income	Family Taxable Income	Medicare Levy
$0–$18,488	$0–$31,196	Nil
$18,489–$21,750	$31,197 [1]–$36,701 [2]	10% of taxable income between thresholds
$21,751 +	$36,702 [2] +	1.5%

Taxpayers eligible for Senior Australians Tax Offset [3]		
$0–$30,685	$0–$44,500	Nil
$30,686–$36,100	$44,501 [1]–$52,353 [2]	10% of taxable income between thresholds
$36,101 +	$52,354 [2] +	1.5%

Taxpayers eligible for Pensioner Tax Offset (Non Seniors) [3]		
$0–$27,697	$0–$31,196	Nil
$27,698–$32,584	$31,197 [1]–$36,701 [2]	10% of taxable income between thresholds
$32,585 +	$36,702 [2] +	1.5%

1 The lower income limit increases by $2,865 per dependent child.
2 The upper income limit increases by $3,370 per dependent child.
3 For further details see page 4.

Note: With the exception of franking credits, the baby bonus and the private health insurance offset, tax offsets cannot reduce the Medicare levy.

Medicare Levy Surcharge (2010/2011)

Single Taxable Income [4]	Family Taxable Income [4]	Medicare Levy Surcharge
$77,000 +	$154,000 [5] +	With no private hospital cover 1% surcharge [6]

4 Plus reportable fringe benefits, reportable super contributions and total net investment losses.
5 Increases to $155,500 where two children + $1,500 per additional child.
6 Applies to taxable income and reportable fringe benefits only.

Tax Offsets (2010/2011)

Tax Offset	Max Offset	Shade-Out Taxable Income	Rate of Reduction
Low Income	$1,500	$30,000–$67,500	$0.04 per $1.00
Mature Age Worker Tax Offset [1]			
	$500	$0–$10,000	($0.05 per $1.00)
		$10,001–$53,000	N/A
		$53,001–$63,000	$0.05 per $1.00
Senior Australians [2,3]			
Single	$2,230	$30,867–$48,707	$0.125 per $1.00
Couples (each)	$1,602	$26,680–$39,496	$0.125 per $1.00
Pensioner – Non Seniors (2009/2010) [2,3]			
Single	$2,518	$22,787–$42,931	$0.125 per $1.00
Couples (each)	$1,781	$17,874–$32,122	$0.125 per $1.00
Dependent Spouse (2009/2010) [3]			
	$2,243	$282–$9,254	$0.25 per $1.00
Private Health Insurance [4]			
Oldest member age			
< 65	30% of premium	N/A	N/A
65–69	35% of premium	N/A	N/A
≥ 70	40% of premium	N/A	N/A

1 Available to taxpayers 55 and over. Phases in between $0–$10,000. From 1 July 2009, offset is calculated on taxable income from working, reportable fringe benefits and reportable employer super contributions.

2 SATO is available to taxpayers over Age or Service Pension age, while the Pensioner tax offset (non-seniors) is available to taxpayers below Age Pension age receiving certain taxable Government pensions and allowances. For couples that qualify, any unused tax offset can be transferred between partners.

3 From 1 July 2009, offset is calculated on taxable income, adjusted fringe benefits, reportable super contributions and total net investment losses.

4 This can be claimed as either a reduction of premiums, a direct payment or as a tax offset.

Corporate Tax Rate

Year	Tax Rate Applicable
2001/2002 onwards	30%

Note: The Government has proposed to lower the company tax rate from 1 July 2012.

Withholding Tax Rates

Type of Payment	Non-Tax Treaty Country	Tax Treaty [1] Country
Unfranked Dividends	30%	Generally 15%
Interest	10%	Generally 10%
Royalties	30%	Generally 10%
Franked Dividends	0%	0%

1 These are the general rates. Refer to the specific tax treaty for confirmation.

Note: Special withholding rules apply to distributions from managed investment trusts to non-residents.

Capital Gains Tax (CGT)

Asset Acquired	Individual	Company
To 19/9/1985	Nil	Nil
20/9/1985 to 21/9/1999 [2]	Tax on 50% of nominal gain **or** Tax on 100% of real gain (CPI frozen at 30/9/1999)	Tax on 100% of real gain (CPI frozen at 30/9/1999)
From 22/9/1999 [2]	Tax on 50% of nominal gain	Tax on 100% of nominal gain
Asset Acquired	**Complying Super Fund**	
To 21/9/1999 [2]	Tax on $^2/_3$ of nominal gain **or** Tax on 100% of real gain (CPI frozen at 30/9/1999)	
From 22/9/1999 [2]	Tax on $^2/_3$ of nominal gain	

2 If the asset was held for 12 months or less, the full nominal gain is taxable.

CPI Indexation Factors

Year	March	June	September	December
1985	N/A	N/A	71.3	72.7
1986	74.4	75.6	77.6	79.8
1987	81.4	82.6	84.0	85.5
1988	87.0	88.5	90.2	92.0
1989	92.9	95.2	97.4	99.2
1990	100.9	102.5	103.3	106.0
1991	105.8	106.0	106.6	107.6
1992	107.6	107.3	107.4	107.9
1993	108.9	109.3	109.8	110.0
1994	110.4	111.2	111.9	112.8
1995	114.7	116.2	117.6	118.5
1996	119.0	119.8	120.1	120.3
1997	120.5	120.2	119.7	120.0
1998	120.3	121.0	121.3	121.9
1999	121.8	122.3	**123.4** [1]	124.1
2000	125.2	126.2	130.9	131.3
2001	132.7	133.8	134.2	135.4
2002	136.6	137.6	138.5	139.5
2003	141.3	141.3	142.1	142.8
2004	144.1	144.8	145.4	146.5
2005	147.5	148.4	149.8	150.6
2006	151.9	154.3	155.7	155.5
2007	155.6	157.5	158.6	160.1
2008	162.2	164.6	166.5	166.0
2009	166.2	167.0	168.6	169.5
2010	171.0			

1 For the purposes of calculating capital gains tax, indexation has been frozen as at the September 1999 quarter.

CGT Small Business Concessions [1]

Eligibility – Basic Conditions:

Selling assets of business	Selling shares/membership interest
1. $6 m Net Asset Value Test or Turnover Test [2] 2. Active Assets Test	1. $6 m Net Asset Value Test or Turnover Test [2] 2. Active Assets Test 3. CGT Concession Stakeholder or 90% small business participation test met

ITAA97 s152–10 to s152–60

1. $6 m Net Asset Value Test

For Individual taxpayers [3], sum the net CGT assets of:

Individual	+ Connected Entities	+ CGT Affiliate
Except: Personal use assets Family home Superannuation Life policies	Company (if ≥ 40% voting rights) [4] Unit Trust (if right to ≥ 40% income or capital) [4] Discretionary Trust (if individual or CGT affiliate paid ≥ 40% of income or capital [5] or are trustee)	'Connected' business assets only. Ignore non-business assets

1 These rules are complex. For further information, refer to the ATO's Advanced Guide to CGT Concessions for Small Business 2008–09 (NAT 3359).
2 The small business entity must meet the $2 m aggregated turnover test.
3 This test must be performed separately for each individual claiming the exemption.
4 Owned collectively by individual and CGT affiliates.
5 For any of the four financial years preceding the sale of the active assets.

If taxpayer is a company or trust, sum the net CGT assets of:

Company/Trust	+ Connected Entities	+ Connected Individuals [6]
Net value of company/trust assets	Company (if ≥ 40% voting rights) [7] Unit Trust (if right to ≥ 40% income or capital) [7] Discretionary Trust (if company/ trust paid ≥ 40% of income or capital [8] or is trustee)	Except: Personal use assets Family home Superannuation Life policies

6 By virtue of the 40% collective control test. Includes CGT affiliates.
7 Owned by first company or trust.
8 For any of the four financial years preceding the sale of the active assets.

2. Active Assets Test

Selling assets of business	Selling shares/membership interest
Active Asset if: Owned by entity and used in carrying on business by entity, connected entity, spouse, minor child or affiliate (includes goodwill). Active for the lesser of 7.5 years or 50% of its life.	Active Asset if: Company or trust is resident. Market value of underlying active assets, cash and financial instruments > 80% of total assets (for at least half of ownership period for shares/interest).

3. CGT Concession Stakeholder

- A CGT Concession Stakeholder of a company or trust is a significant individual or a spouse of a significant individual.
- Significant individual must satisfy the following:
  - Company: holds at least 20% of votes or distributions of income or capital.
  - Unit Trust: beneficially entitled to at least 20% of income or capital.
  - Discretionary Trust: entitled to at least 20% of distributed income or capital in year of disposal.
- Must be at least one significant individual just before the time of disposal.
- Spouse must satisfy the following:
  - Company: holds company shares.
  - Unit Trust: beneficially entitled to income or capital.
  - Discretionary Trust: beneficially entitled to income or capital.

Eligibility – Specific Conditions:
'15 year' CGT Exemption [1]

- Active assets are exempt from CGT if continuously owned for at least 15 years where they are disposed of on retirement after age 55 or as a result of permanent incapacity.
- If an individual sells their shares or interest in an entity, or where a company or trust is selling a CGT asset, there must be a significant individual (not necessarily the same person) for a period totalling 15 years and the significant individual is > age 55 and retiring or is permanently incapacitated.
- Concession limited to stakeholders participation %.

1 This contribution can be applied towards the small business lifetime CGT cap of $1.155 million – see page 22.

ITAA97 s152–105 & s152–110

If not eligible for the '15 year' CGT Exemption, the small business owner may be able to claim the following CGT concessions:

50% Active Assets Reduction

- A 50% exemption available to all small business owners on the disposal of active assets.
- A significant individual is only required if the active asset is a share in a company or an interest in a trust.
- Capital losses and the general 50% Discount for individuals [1] (see page 5) must be applied first.
- Can elect not to claim this concession and instead use the CGT Retirement Exemption or small business rollover.

CGT Retirement Exemption [2]

- Available to all small business owners who dispose of active assets.
- A $500,000 lifetime limit applies to this exemption.
- If $<$ age 55, the capital gain must be contributed to a superannuation fund.

  If $\geq$ age 55, the capital gain can be taken as cash or contributed to super (if eligible – see page 24). It may also be possible to claim a deduction for super contributions (see page 26).
- A written election must be made prior to lodging the entity's tax return.
- If a company or trust is claiming the exemption there must be a significant individual. The split between CGT concession stakeholders is not linked to their participation %.

ITAA97 s152–305–s152–325

1 Available to all individuals (sole traders and partners) and trusts. The asset, share or interest must have been held > 12 months.

2 This contribution can be applied towards the small business lifetime CGT cap of $1.155 million – see page 22.

ITAA97 s115–5–s115–50

Note: CGT Rollover relief may also be available on the disposal of small business active assets where replacement active assets are acquired.

Fringe Benefits Tax (FBT)

FBT is a tax levied on employers on certain benefits provided to an employee (or their associates) at a rate of 46.5% on the taxable value of the fringe benefit.

FBT Exempt Items	
Laptop computers [1] Professional subscriptions and memberships Protective clothing [1] Complying self education expenses Salary packaging advice Complying childcare arrangements Work related computer software [1] Mobile phone expenses [1] $1,000 in-house benefits Super contributions to complying fund/RSA [2] Briefcase, calculators and electronic diaries [1] Minor benefit exemption $300 Expenses that would otherwise be deductible to the employee	Taxable value is nil therefore no FBT is payable
Concessionally Taxed Items	
Motor vehicle leases	FBT is payable on the taxable value of benefit [3]

1 Used primarily for work purposes (generally limited to one item of each type per employee per FBT year).

2 Subject to 15% contributions tax.

3 Taxable value is generally less than the cost of providing the benefit.

Car Statutory Fractions

Annual Total Kilometres	Statutory Fraction
< 15,000	0.26
15,000–24,999	0.20
25,000–40,000	0.11
40,000 +	0.07

FBT Gross Up and Reporting

Employers must separately identify the proportion of taxable fringe benefits relating to each employee. Where the aggregate value of an employee's taxable fringe benefits (with some exceptions) exceeds $2,000, the employer is required to 'gross up' this amount by a factor of 1.8692. The 'grossed up' amount (referred to as the 'reportable fringe benefits amount') must be reported on the employee's Payment Summary.

FBTAA86 s135Q

Exempt Employers

Certain non-profit employers such as tax-exempt charities are entitled to FBT concessions. No FBT is payable on the first $17,000 (grossed-up taxable value) for each employee of a public hospital or ambulance service and $30,000 (grossed-up taxable value) for each employee of other public benevolent institutions. Rebatable employers are entitled to a rebate of 48% of the FBT on the first $30,000 (grossed-up taxable value) of fringe benefits for each employee. The employer must still report the grossed-up fringe benefit amount on the employee's Payment Summary.

Life Policy Taxation

- Investment earnings are taxed at the corporate rate of 30%. The policies are not subject to further tax at the policy holder level if held for 10 years or more.
- Withdrawals before 10 years are assessed as follows:

Year	Assessable Portion
1–8	All accumulated bonuses [1]
9	Two thirds of accumulated bonuses [1]
10	One third of accumulated bonuses [1]

  A 30% tax offset is available on the assessable portion. For low marginal tax rate payers, any excess can be used to offset other tax payable.

- Additional deposits > 125% of the previous year's deposit will restart the 10 year period.

1 This is effectively the growth in the value of the policy.

ITAA36 s26AH

Employment Termination Payments

Employment termination payments contain two tax components:

Tax Free – will usually be nil, but may include a 'pre-July 83 segment' (calculated at the date of payment) if the employee has pre service and/or an 'invalidity segment' if the employee has ceased gainful employment due to ill-health. [1]

Taxable – is the balance of the payment after taking the Tax Free component into account.

1 Two legally qualified medical practitioners must certify that the employee is unlikely to be able to be gainfully employed in a capacity for which they are reasonably qualified by education, training, or experience.

Life Benefit Termination Payments (transitional)

Can be rolled over to super or taken as cash between 1 July 2007 and 30 June 2012. To qualify, the payment amount (or formula) must have been specified in either a written contract, law or workplace agreement as at 9 May 2006.

Rollovers (Directed Termination Payments – DTPs)

Employees have 30 days from receiving a pre-payment statement to elect to rollover [2] the transitional payment.

The Taxable component will be taxed in the super fund at 15% and the Taxable component above $1 million will count towards the employee's CC cap – see page 23.

2 To rollover, the employee must be eligible to contribute to super – see page 24.

ITTPA s82–10F

Cash lump sum

Age at end of financial year	Component	Tax rate
Under 55	Tax Free	Tax-free
	Taxable	First $1 million [3] at 31.5% [4] Excess at 46.5% [4]
55 and over	Tax Free	Tax-free
	Taxable	First $160,000 [5] at 16.5% [4] Between $160,000 [5] and $1 million [3] at 31.5% [4] Excess at 46.5% [4]

3 This threshold is not indexed and is reduced by the amount of any transitional termination payments received.

4 Includes a Medicare levy of 1.5%.

5 Indexed to AWOTE in $5,000 increments. Applies to all transitional termination payments received during the transition period.

ITTPA s82–10

Life Benefit Termination Payments (non-transitional)

Must be taken as cash with the following tax treatment:

Age at end of financial year	Component	Tax rate
Under 55	Tax Free	Tax-free
	Taxable	First $160,000 [1] at 31.5% [2] Excess at 46.5% [2]
55 and over	Tax Free	Tax-free
	Taxable	First $160,000 [1] at 16.5% [2] Excess at 46.5% [2]

1 Indexed to AWOTE in $5,000 increments. This is an annual limit which applies to all non-transitional termination payments received in a financial year (or related to that year).

2 Includes a Medicare levy of 1.5%.

ITAA97 s82–10

Death Benefit Termination Payments

Regardless of whether the employee qualifies for the transitional rules, the following tax treatment applies on death:

Recipient	Component	Tax rate
Tax dependant – spouse, former spouse, child < 18, financial dependant, interdependant	Tax Free	Tax-free
	Taxable	First $160,000 [3] is tax-free Excess at 45% [4]
Non-tax dependant	Tax Free	Tax-free
	Taxable	First $160,000 [3] at 30% [4] Excess at 45% [4]

3 Indexed to AWOTE in $5,000 increments. This annual threshold applies to both non-transitional termination payments and death benefit termination payments.

4 Plus a Medicare levy, unless paid to the deceased's estate.

ITAA97 s82–65, s82–70

Other Termination Payments

Leave Type	Maximum tax rate
Accrued Annual Leave	
Resignation/Retirement	
To 17/8/1993	30% [1]
From 18/8/1993	Marginal Rate [1]
Bona fide redundancy/Invalidity/Early retirement	
All	30% [1]
Accrued Long Service Leave	
Resignation/Retirement	
To 15/8/1978	5% at Marginal Rate [1]
16/8/1978 to 17/8/1993	30% [1]
From 18/8/1993	Marginal Rate [1]
Bona fide redundancy/Invalidity/Early retirement	
To 15/8/1978	5% at Marginal Rate [1]
From 16/8/1978	30% [1]
Unused Sick Leave	
Taxed as an employment termination payment [2] (see page 12).	

Tax-Free Redundancy Amount	
2010/11	**2009/10**
$8,126 + $4,064 for each completed year of service	$7,732 + $3,876 for each completed year of service
Balance over the tax-free amount is taxed as an employment termination payment [2] (see page 12).	

1 Plus a Medicare levy.

2 Employment termination payments also include payments for unused rostered days off, in lieu of notice, gratuity or golden handshake, compensation for loss of job or wrongful dismissal and invalidity.

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Note: The following section relates to complying superannuation arrangements and unless specified does not apply to defined benefit interests, untaxed superannuation arrangements, or non-residents.

Superannuation Guarantee (SG)

Minimum SG contribution rate: 9%

Maximum contribution base per quarter: $42,220

SG Quarter	Due Date for Quarterly SG	Due date for SG Charge (SGC) if late [1]
1 Jul – 30 Sep	28 Oct	28 Nov
1 Oct – 31 Dec	28 Jan	28 Feb
1 Jan – 31 Mar	28 Apr	28 May
1 Apr – 30 Jun	28 Jul	28 Aug

1 The employer is required to submit a SG Statement and SGC to ATO (additional penalties apply if late – see page 17).

Note: The Government has proposed a gradual increase from the current 9% to 12% starting 1 July 2013.

Offsetting SGC with late contributions

Employers can apply to the ATO to offset their SGC where contributions are paid late to a super fund but before the employer is assessed for that quarter [2]. To qualify for the late payment offset, the employer must have:

- Paid the late contribution to the employee's super fund,
- Paid the contribution before the original SGC assessment became payable, and
- Elected to use the offset within four years of the original SGC assessment date.

2 To the extent an offset is claimed, the late contribution is not deductible and cannot be used to meet SG obligations for any other period.

SGAA s23A, s49, ITAA97 s26–95, s290–95

Basic SG Facts

- SG calculation = SG% x Ordinary Time Earnings (OTE) per quarter.
- 'Employee' includes any person receiving salary/wages in exchange for labour/services including directors or persons under contracts wholly or principally for labour.
- OTE includes the total of an employee's earnings for ordinary hours of work, over-award payments, shift loading and commission.

SGAA s23, SGRs 2009/2, 2005/1, 2005/2

Main Exemptions from SG:

- Employees paid < $450 in a calendar month (for that month)
- Employees aged 70 years[1] and over
- Employees < age 18 working < 30 hrs/week
- Non-resident employees paid for work done outside Australia
- Resident employees paid by non-resident employers for work done outside Australia
- Foreign executives who hold certain visas or entry permits
- Employees paid for domestic or private work < 30 hrs/week
- Employees temporarily working in Australia for an overseas employer who are covered by a Bilateral Superannuation Agreement. A Certificate of Coverage is required.

1 Pro-rata SG required for quarter when employee turns 70.

SGAA s27–28, SGD 2003/5

Note: The Government has proposed to increase the SG contribution age from 70 to 75 from 1 July 2013.

Penalties

Failure to pay SG by due date: SG Charge (SGC)[2] comprising:

- SG shortfalls basically calculated as quarterly salary/wages per employee x SG%[3].
- Nominal interest of 10% from start of quarter to later of SG Statement due date or date SG Statement and SGC submitted.
- Administration fee of $20 per employee per quarter.

2 The SGC is not tax deductible and cannot be reduced by the ATO.

3 Late contributions used to offset the SGC may reduce this liability (see page 16).

SGAA s17, s19, s31–32

Additional penalties: If SGC and SG Statement not submitted:

- General Interest Charge (GIC) from the SGC due date. GIC compounds daily until SGC and accrued GIC is paid. ATO can reduce. GIC is deductible.
- Non-payment/disclosure penalties: these are applied at a rate of 200% of the SGC. ATO can reduce.

Further penalties may apply for false/misleading statements, avoidance, failure to provide information, or failure to keep SG records.

SGAA Part 7, TAA s8AAC

Superannuation Fund Choice

Eligible employees can choose the fund to which their employer must pay SG contributions. If no choice is made, employers must contribute to an employer default fund (ie a fund specified in a relevant Award or, if no Award or no fund specified, to any complying fund or RSA).

Eligible Employees

Employers must generally offer choice to all employees except where contributions are being made:

- In accordance with a Certified Agreement, collective agreement, Australian Workplace Agreement (or replacement Individual Transitional Agreement)
- Under an applicable State Award or Agreement [1]
- To certain public sector (Government) schemes.

In limited situations employees in defined benefit schemes are not entitled to choose a fund.

Employers may need advice from industrial law experts if they are uncertain of their obligations or which industrial regime applies.

1 Incorporated employers operating under State industrial provisions generally had to offer fund choice from 1 July 2006.

SGAA s20, s32C, s32F, s32ZAA

Standard Choice Form (SCF) [2]

Must be given to eligible employees within 28 days of:

- Commencement for new employees
- A change to the default fund (where the employee is a member)
- Becoming aware that a fund ceases to be a chosen fund for the employee
- Becoming aware that the default fund named on a SCF given to an employee cannot accept contributions from the employer
- A written request by an employee (unless a SCF was provided in the previous 12 months).

2 Employers are exempt from providing a SCF where, as a condition of employment, employees are required to choose their own fund and there is no default fund. Employers may, in some cases, refuse a chosen fund (eg where employee fails to provide required details, has chosen another fund in previous 12 months, or their chosen fund becomes non-complying). Employers must still meet their SG obligations.

SGAA s32N–32P, SGAR 9C

Minimum Death Cover (Employer default fund)

With limited exceptions[1] an employer default fund must offer life insurance based on:

- A premium of at least $0.50 per week for members under age 56, or
- A minimum level of cover as shown in the table below.

Age range	Level of insurance	Age range	Level of insurance
20 to 34	$50,000	45 to 49	$14,000
35 to 39	$35,000	50 to 55	$7,000
40 to 44	$20,000	Over 55	Nil

1 Key exceptions:
- The fund's insurer refuses cover (eg due to health, occupation, hours worked etc).
- The fund/plan is specified under an Award, is capital guaranteed or an RSA.
- The employer provides an equivalent level of cover in a separate arrangement.

SGAR 9A

Penalties for Non-compliance

Employers may be penalised where:

- SG contributions are paid to an incorrect fund at any time two months after receipt of an employee's valid notification.
- The SCF is not given to an eligible employee within the required timeframe (see page 18).

The penalties are calculated as follows:

- Choice penalty equal to: 25% x {total quarterly salary and wages[2] x [9% – (SG% paid to chosen fund + any SG% not paid[3])]}
- Nominal interest (currently 10% pa) for the quarter on the 'choice penalty' amount, plus
- Administration component of $20 per affected employee for the quarter. This is only applied once if employer is subject to both SGC and choice penalties.

These penalties are capped at $500 per notice period. The ATO determines the notice period.

2 As with the SG Charge (SGC), the choice penalty is based on salary and wages of affected employees for the relevant quarter rather than OTE for SG purposes (see page 17).

3 If an employer fails to meet their minimum SG obligation in total for a quarter, then the employer is liable to pay the full SGC (see page 17), but does not pay the 'choice penalty'. Partial payment to an incorrect fund may result in SGC and choice penalty.

SGAA s17, s19, s31–32

Portability of Benefits

Fund members can apply to rollover their accumulated entitlements at any time [1]. The fund has 30 days to comply and can refuse a member's written request where:

- On partial rollover, the account balance will be < $5,000,
- The fund has already processed a rollover in the last 12 months,
- The member has an 'illiquid investment' (as described in fund disclosure material) [2], or
- The fund has insufficient mandatory information to process the rollover.

1 Does not apply to unfunded public sector schemes, SMSFs, defined benefit interests or certain pensions (such as guaranteed or 'complying' pensions).

2 Broadly defined as being an asset which does not have a ready cash value or, converting to cash in the time period of 30 days would have an adverse impact on the realisable value.

SISR 6.34, 6.35

Contribution Caps

Caps apply to the amount of concessional contributions (CCs) and non-concessional contributions (NCCs) that can be made each year. Individuals exceeding the CC or NCC cap are liable for additional tax. See pages 22–23 for more information on each cap.

CC Cap

Age on last day of financial year	Annual cap amount	
< 50	$25,000 [3]	
50+	$50,000 [4]	**Note:** Only mandated employer contributions can be made from age 75.

3 Indexed to AWOTE in $5,000 increments.

4 This limit is not indexed and will apply up to 30 June 2012. From 1 July 2012, the indexed $25,000 cap applies. The Government has proposed to reinstate the CC cap at $50,000 from 1 July 2012 for fund members with super balances below $500,000.

ITAA97 s292–20, Subdiv 960M, SISR 7.04

NCC Cap

Age on first day of financial year	Annual cap amount
< 65	$150,000 [1] or a three-year limit of $450,000 [2]
65 – <75	$150,000 [1]
75+	NCCs cannot be accepted

1 This figure is six times the standard CC Cap (see page 20).

2 Once triggered (by exceeding the annual cap), the 'three-year' NCC cap is not indexed.

ITAA97, s292–90, Subdiv 960M

Tax on Excess CCs and NCCs

This is a member (not a fund) liability. The member will receive an excess contributions tax assessment from the ATO and must ensure it is paid within 21 days [3]. The GIC will accrue daily on amounts unpaid.

Type	Tax rate	Fund cashing rule
Excess NCCs	46.5%	The member **must** withdraw the tax amount from their super account by submitting the ATO Release Authority to the fund within 21 days. The fund then has 30 days to pay [4].
Excess CCs	31.5% [5]	The member can elect to withdraw the tax amount from the fund by submitting an ATO Release Authority to the fund within 90 days. The fund then has 30 days to pay [4].

3 The ATO may exercise their discretion to extend this date.

4 Members can request the fund pay the ATO on their behalf. Due to timing differences it may be better if members pay the ATO directly and submit the Release Authority to the fund for reimbursement.

5 This is in addition to 15% contributions tax.

ITAA97 Subdiv 292–E, SECCA s5, SENCCA s5

Non-Concessional Contributions (NCCs)

NCCs broadly comprise contributions that are **not assessable** to the fund but with specific inclusions and exclusions as set out below.

Main NCC cap inclusions	Main NCC cap exclusions
• Personal after-tax (undeducted) contributions. • Spouse contributions (for recipient). • Small business sale proceeds **above** the lifetime CGT cap of $1.155 million[1]. • Payments from overseas funds except to the extent the member is able to, and does, elect for it to be taxable to the fund. • Contributions from prior years to non-complying funds where the fund subsequently becomes complying. • Distributions of the above contribution types from fund reserves. • Excess concessional contributions[3].	• Concessional contributions (unless excessive). • Government co-contributions. • Small business sale proceeds up to the CGT cap of $1.155 million[1]. To use the CGT cap the election **must** be submitted to the fund on or before the contribution is made. • Personal injury payments[2] where no tax deduction is claimed. The personal injury election **must** be submitted to the fund on or before the contribution is made. • Rollovers/Transfers between complying super arrangements. • Tax Free component of an employer DTP – see page 12.

1 Indexed to AWOTE in $5,000 increments. The CGT cap includes proceeds related to the CGT retirement exemption and the 15-year CGT exemption – see page 8. A person can use capital proceeds that qualify for the 15-year CGT exemption even if the disposal did not result in a capital gain or loss; the asset was a pre-CGT asset; or the disposal occurred before the 15-year holding period had elapsed due to permanent incapacity. A CGT cap election must be submitted via an approved form to the fund on or before the contribution is made. If a deduction is claimed, the contribution counts toward the CC cap (the CGT cap cannot be used).

2 These amounts arise from a structured settlement, Court order or worker's compensation lump sum. Individuals must submit an election to the fund on or before the contribution is made indicating these amounts are 'personal injury' contributions. In general, the contribution must be made within 90 days of the later of the receipt of payment or the date the eligible agreement or Court order was made.

3 These will usually be assessable to the fund.

ITAA97 s292–90 to s292–105

Concessional Contributions (CCs)

CCs broadly comprise contributions which are **assessable** to the fund – see page 28. However, there are specific inclusions and exclusions as set out below.

Main CC cap inclusions	Main CC cap exclusions
• Employer (including salary sacrifice) contributions. • Personal contributions for which a tax deduction is claimed. • Taxable amounts above $1 million from employer DTPs[1] during the transition period – see page 12. • Payments by the ATO for SG shortfalls or from the SHA Account. • Contributions made by another person on behalf of a member which are assessable to the fund[2]. • Amounts above the vested entitlement at transfer date from overseas super funds. • Distributions of the above from fund reserves. • Other distributions from reserve accounts (with certain exceptions noted in the exclusion column).	• Contributions counted towards the NCC cap (other than excess CCs). • Tax Free component plus up to $1 million of the taxable amount of transitional employment termination payments – see page 12. • Rollovers from complying super arrangements (including those with an untaxed element). • Taxable amounts of overseas transfers that the member elects to have taxed in their Australian super account. • Distributions from reserve accounts: – Considered to be fair and reasonable and < 5% of the member's interest at distribution, – To meet current year pension liabilities, – Arising from commutation of a pension which is used to commence a new pension for the primary beneficiary, or to pay a benefit on their death.

1 The $1 million threshold is reduced by the taxable amount of all other transitional employment termination payments (including those taken in cash).

2 Excludes spouse contributions and non-employer contributions made by another person for a child < 18 (other than deductible contributions made by the child via an adult guardian/representative).

ITAA97 s292–25, ITAR97 292–25.01

Super Contributions – Acceptance

The following three tests need to be satisfied before contributions can be accepted.

Note: Contributions include most payments into the fund other than rollovers or transfers between complying super arrangements.

Work Test

Age	Contributions may be accepted (subject to fund rules):
Under 65	• Without restriction
65 to < 70	• From any source provided the member has been gainfully employed for at least 40 hours over 30 consecutive days during the financial year in which the contributions are made, or • If they are mandated contributions [1]
70 to < 75 [2]	• If they are personal contributions [3], or voluntary employer contributions (including salary sacrifice) provided the member has been gainfully employed for at least 40 hours over 30 consecutive days during the financial year in which the contributions are made, or • If they are mandated contributions [1]
75 and over	• If they are mandated contributions [1]

1 Mandated contributions include SG contributions (up to age 70) or employer contributions required under an agreement or award certified by an industrial authority. The Government has proposed to increase the SG contribution age limit to 75 from 1 July 2013.

2 Contributions must be received within 28 days of the end of the month in which the member reaches age 75.

3 For this purpose, personal contributions include small business CGT sale proceeds (see page 22), employer DTPs and overseas transfers. Spouse contributions are not allowed from age 70.

TFN Test

Contributions made by or on behalf of a member cannot be accepted unless the member has quoted their TFN. The only exception relates to employer contributions (which would be subject to 'no-TFN' tax) – see page 28.

Fund NCC Cap Test

A single non-employer contribution [1] made by or on behalf of a member cannot be accepted if it exceeds:

- $450,000 [2], where the member is 64 or less at 1 July in the financial year, or
- $150,000 [3], where the member is 65 but < 75 at 1 July in the financial year.

1 Excludes contributions with a valid tax deduction notice (see page 26); personal injury amounts or CGT contributions from the sale of certain small business assets (see page 22); SG shortfalls; SHA amounts; Government co-contributions; and employer DTPs. Broadly, the test applies to personal after-tax (undeducted) contributions, spouse contributions and overseas transfers.

2 This is equal to three times the NCC cap of $150,000 for 2010/11.

3 This is the NCC cap for 2010/11.

Return of contributions to contributor

Contributions made in breach of the above tests must be rejected or returned to the contributor. Insurance and other costs may be deducted.

SISR 5.01, 7.04

Super Contributions – Deductions

From 2007/08, an employer [4] or eligible person (see page 26) may claim a deduction [5] for the full amount contributed in a financial year. However, additional taxes may apply if the contribution caps are exceeded – see page 21.

4 The contribution must be for an eligible employee who is: engaged in producing assessable income of the employer; or an Australian resident engaged in the employer's business. For this purpose, an eligible employee includes an employee within the expanded definition of the SGAA s12. In some cases, deductions are allowed for former employees.

5 Certain rules continue to apply to deductions eg for employers a deduction cannot be claimed for the SG charge and the rules relating to personal services may restrict deductions for an associated person (such as a spouse). In addition, personal deductions may not exceed assessable income.

ITAA97 Subdiv 290–B, s26–80, s85–25, s86–75

Self-employed and other Eligible Persons

Certain conditions must be met in order to claim a deduction for personal contributions [1]. The key conditions include:

- Less than 10% of assessable income, reportable fringe benefits and reportable employer super contributions must be attributable to employment as an employee [2].
- Individuals under 18 must generate business or employment income.
- An otherwise eligible individual must be over 55 to make a claim for contributions related to the small business CGT retirement concession (lifetime limit of $500,000) [3].
- An approved notice to claim a tax deduction must be submitted to the fund by the earlier of:
  - The time the member lodges their tax return, or
  - The end of the following financial year after the contribution was made.

An individual cannot vary (ie reduce) the amount they have notified the fund they are claiming after the expiry of the above period (unless a deduction is disallowed).

A notice to claim a deduction (or vary a notice) is **invalid** where:

- The individual is no longer a member of the fund,
- The trustee of the fund no longer holds the contribution [4], or
- The contribution has been used in whole or part to commence a pension.

1 A tax deduction cannot be claimed in respect of transfers from overseas funds, superannuation rollovers/transfers, employer DTPs or, in 2006/07 and earlier years, the rollover of a CGT exempt ETP or employer ETP.

2 Includes holding an office or appointment, performing functions or duties or engaging in work or doing acts and things which would result in the member being an employee under SGAA s12 (including work of a domestic or private nature even if < 30 hrs/week).

3 If a deduction is claimed, these amounts count towards the CC cap – see page 23.

4 This might arise, for example, if the individual made a partial withdrawal (cash or rollover). From 1 July 2010, there is a formula to calculate the proportional amount that may be claimed as a deduction based on the remaining Tax Free component left in the fund.

ITAA97 Subdiv 290–C
ITAA97 s26–80, s85–25, s86–75

Super Contributions – Spouse Tax Offset [1]

Spouse's Assessable Income (AI) [2]	Max. Rebatable Conts. (MRC)	Max. Offset 18% of lesser of:
$10,800 or less	$3,000	MRC or actual conts
$10,801–$13,799	$3,000 – (AI [2] – $10,800)	MRC or actual conts
$13,800 or more	$0	$0

1 To qualify for the offset each spouse must be an Australian resident for tax purposes when the contribution is made. If the contributor is entitled to an employer tax deduction for the contribution, the spouse tax offset does not apply. A spouse includes a same sex partner but excludes those permanently living apart. See page 24 for contribution rules.

2 Plus reportable fringe benefits and reportable employer super contributions.

ITAA97 s290–230

Super Contributions – Government Co-contribution [3]

Assessable Income (AI) [4]	Personal Contribution	Co-contribution available
$31,920 or less	Any amount	Personal contribution x 1 (max $1,000)
$31,921–$61,919	$0–$1,000	An amount equal to the lesser of: • Personal contribution x 1, or • $1,000 – [0.03333 x (AI [4] – $31,920)]
$31,921–$61,919	$1,000 +	$1,000 – [0.03333 x (AI [4] – $31,920)]
$61,920 or more	Any amount	Nil

3 To qualify for a co-contribution a person must make personal after-tax (undeducted) contributions; receive at least 10% of their assessable income [4] from eligible employment (including income from self-employment and/or carrying on a business); lodge an income tax return; be < age 71 at the end of the financial year; and not be a temporary resident for any part of the year. The Government has maintained the matching rate at 100% and the maximum co-contribution payable at $1,000. The indexation of the income thresholds will be frozen for 2010/11 and 2011/12.

4 Plus reportable fringe benefits and reportable employer super contributions.

GCCA s6–10

Taxation of Fund Income[1]

Accrual Phase	Tax rate
Assessable contributions	15%
No-TFN contributions	31.5% (plus 15% contributions tax)
Earnings	15%
Discount Capital Gains (if applicable)	10%[2]
Pension Phase	**Tax rate**
Income attributable to current pension liabilities	Tax Exempt (subject to actuarial certification[3])

ITAA97 Subdiv 295–F

1 Special income is taxable at 45% (eg private company dividends, non-arm's length income and specified trust distributions).

2 See page 5.

3 This is not required for funds paying only account based pensions, allocated pensions and term allocated pensions provided pension assets have been segregated.

Assessable Contributions

- Any contributions made for a member by another person or entity with some exceptions, the main ones being:
  - Spouse contributions
  - Government co-contributions
  - Non-employer contributions made by another person for a child < 18 unless they are deductible.
- Personal contributions for which a tax deduction is claimed.
- No-TFN contributions.

ITAA97 Subdiv 295-C

No-TFN Contributions and Tax

Assessable contributions are subject to an additional tax of 31.5% (no-TFN tax) where a member fails to quote their TFN by the end of the financial year in which the contributions are made[4].

Employers are required to pass on an employee's TFN within 14 days when an employee provides them with a TFN declaration after 30 June 2007.

The fund will not be able to offset the no-TFN tax liability except to effectively claim a refund when the member quotes their TFN within three years from the year in which the no-TFN tax was applied to the contributions.

4 The no-TFN tax does not apply to a pre 1 July 2007 super account provided the total assessable contributions in respect of that account for an income year are $1,000 or less.

ITAA97 Subdiv 295-I

Preservation – Conditions of Release

Include:

1. Retirement after preservation age (55 to 60)
2. Termination of employment after age 60
3. Attaining age 65
4. Permanent disability (evidence required by Trustee/Provider who must make determination)
5. A terminal medical condition where two medical practitioners (one a specialist) certify that the person's condition is likely to result in death within 12 months
6. Upon death
7. Upon permanent departure from Australia for certain temporary residents holding a specified class of visa[1]
8. Compassionate grounds (approved by APRA/ATO)
9. Financial hardship (receipt of Centrelink benefits for: 26 weeks consecutively and unable to meet reasonable and immediate family living expenses; or 39 weeks cumulatively if over preservation age and not gainfully employed).

Persons not meeting a full 'condition of release' (items 1–6) but over their preservation age, may start a 'Transition to Retirement' (TTR) income stream (see page 45).

SISR 6.01(1)–(5), SISR Schedule 1

Note: On termination of employment at any age, restricted non-preserved benefits become unrestricted non-preserved (provided employer has contributed to the fund).

1 Can only be paid as a single lump sum 'Departing Australia Super Payment' (DASP) – see page 31 for tax rates. Temporary residents can generally only access their benefits under release condition 7, unless they are New Zealand citizens, become Australian permanent residents/citizens or hold an eligible retirement visa.

Increase to Preservation Ages

Date of Birth	Preservation Age	Date of Birth	Preservation Age
Before 1/7/1960	55	1/7/1962-30/6/1963	58
1/7/1960-30/6/1961	56	1/7/1963-30/6/1964	59
1/7/1961-30/6/1962	57	From 1/7/1964	60

SISR 6.01

Contribution Splitting

Funds may allow members to split the lesser of:

- 85% of their concessional contributions (CCs)[1] for the financial year, or
- their CC cap for the financial year

to their spouse (including same sex partners) where the receiving spouse is < 65 and, if ≥ preservation age, not retired. Eligible contributions can only be split in the financial year after the year in which they were made (unless the member withdraws their entire benefit earlier).

1 CCs generally comprise employer contributions (including salary sacrifice) and personal deductible contributions (tax deduction notice required before split can be made).

SISR r6.40-6.46

Taxation of Super Benefits

Benefits contain two components:

Tax Free[2] – mainly composed of non-assessable (or non-concessional) contributions made to the client's super account (see page 22) and also the Tax Free portion of any rollovers. For some clients, this component may contain a 'crystallised segment' related to a portion of their benefits accrued prior to 1 July 2007.

Taxable – is the balance of the client's benefit after taking the Tax Free component into account. It may comprise an element taxed in the fund or an element untaxed in the fund. In general, the Taxable component of benefits paid from taxed superannuation funds will only comprise an element taxed in the fund (except in certain circumstances related to death – see page 33).

2 The Tax Free component of permanent disability benefits may be increased when paid as a lump sum or on rollover – see page 32.

Proportional Drawdown of Tax Components

Any withdrawal includes both a Taxable and Tax Free component in the same proportion as these components make up of the total interest[3] immediately before the withdrawal.

3 For SMSFs an interest is deemed to include all of a member's entitlements in the fund other than pensions that have commenced to be paid. In public offer funds, if a member has more than one account, pensions that have commenced are considered separate. For other accounts it depends on the nature of the claim against the trustee or whether the ATO determines that the purpose of separate accounts is primarily to obtain an unlawful tax benefit.

ITAA97 s307–125, ITAR97 307–200.02, 307–200.05

Tax treatment of lump sum benefits

Benefits paid to members aged 60 and over, or paid as a cash lump sum due to a terminal medical condition at any age, are tax-free and are non-assessable, non-exempt income (NANE).

The following table shows the tax rates applicable to benefits paid to members under age 60 (other than lump sums paid due to a terminal medical condition).

Component	Age	Tax rate
Tax Free	Any	Tax-free
Taxable	< 55	21.5% [1]
	55–59	First $160,000 [2] at 0% Excess at 16.5% [1]

1 Includes a Medicare levy of 1.5%.

2 This low rate cap applies to the total of all Taxable components (and post-June 1983 components prior to 1 July 2007) that are taken as cash at age 55 and over, and is indexed to AWOTE in $5,000 increments. If a benefit includes both taxed and untaxed elements, it applies firstly to the taxed element.

Note: Members with benefits of < $200 can withdraw this amount tax-free provided it is paid as a lump sum. The member must have left an employer sponsor or be a lost member who has been found.

ITAA97 s301–10, s301–15, s301–20, s301–35, s301–225, s307–345

Departing Australia Superannuation Payment (DASP) [3]

Component	Tax rate
Tax Free	Tax Exempt
Taxable (taxed)	35%
Taxable (untaxed)	45%

3 The withholding tax rates apply regardless of whether the member has supplied an Australian TFN.

ITAA97 s301–175

Note: Super benefits for certain temporary residents (excluding New Zealand citizens, Australian citizens/permanent residents and holders of Retirement visa subclasses 405 and 410) must generally be paid to the ATO where their temporary visa has been cancelled/expired and it has been six or more months since they departed Australia. In this case, benefits may still be claimed from the ATO as a DASP.

Permanent Disability Benefits

The Tax Free component of a lump sum benefit or rollover will be increased where members (including the self-employed) become disabled [1].

The increase to the Tax Free component is calculated using the following formula (consistent with the previous post-June 1994 invalidity calculation):

$$\text{Amount of benefit} \times \frac{\text{Days to retirement}}{\text{Service days} + \text{Days to retirement}}$$

where:

days to retirement are the number of days from when the person stopped being capable of being gainfully employed until their last retirement day [2], and

service days are the number of days from the start of the eligible service period until the person stopped being capable of being gainfully employed.

1 For this purpose, disablement means:

- They suffer from physical or mental ill health, and
- Two qualified medical practitioners certify they are unlikely to ever be gainfully employed in a capacity for which they are reasonably qualified by education, training or experience.

2 This is the day when their employment or office would have terminated; or when they would have reached a specified retirement age; or completed a specified period of service. Most commonly, it is the day the person would have reached age 65.

ITAA97 s307–145

If the disability benefit is paid as a lump sum, the tax treatment is outlined on page 31. If paid as a pension, the tax treatment is outlined on page 38.

Death Benefits

The following summarises the tax treatment and rules related to payments made due to the death of a member in the superannuation accrual phase.

It also applies to death benefit income streams that are commuted to a lump sum, generally within the later of three months from grant of probate/issue of letters of administration, or six months from date of death (the prescribed period). The lump sum death benefit cannot be rolled over. If the commutation occurs outside the prescribed period see page 43.

Lump Sum Death Benefit – tax treatment

Beneficiary	Components	Tax rate
Tax dependant – spouse [1], former spouse [1], child < 18, financial dependant, interdependant	Tax Free and Taxable	Tax-free
Non-tax dependant	Tax Free	Tax-free
	Taxable – taxed element	15% [2]
	Taxable – untaxed element	30% [2]

1 Includes both opposite and same-sex de facto partners.

2 Plus a Medicare levy, unless paid to the deceased's estate.

ITAA97 s302–60, s302–140, s302–145, s302–195

Note: A super fund may pay an anti-detriment amount to a spouse or a child of any age upon payment of a 'death benefit' lump sum.

Death Benefit Income Stream – eligibility

Only certain dependants are able to commence or continue an income stream on death:

- Spouses [1],
- Children < 18,
- A financially dependent child aged between 18 and 25,
- Other financial dependants (excluding children),
- Interdependants, or
- Disabled [2] children.

Death benefit income streams payable to children must cease at age 25, unless the child is disabled[2]. If there is an amount remaining in the account and the income stream is commuted to a lump sum[3] it will be paid tax-free in the following circumstances:

- The child beneficiary is aged < 25, or
- The child beneficiary turns 25, or
- The child is disabled[2].

1 Includes both opposite and same-sex de facto partners.

2 Disabled for this purpose means a person with a disability that is attributable to an intellectual, psychiatric, sensory or physical impairment or a combination of such impairments. The disability must be permanent or likely to be permanent and result in a substantially reduced capacity of the person for communication, learning or mobility and the need for ongoing support services.

3 Only full commutations can be taken prior to age 25 unless the child is disabled[2].

SISR 6.21(2A) and (2B), ITAA97 s303–5

Death Benefit Income Stream – tax treatment

For the tax treatment of payments from death benefit income streams, see page 42.

SMSF Membership Rules

A SMSF must have < five members (including pension recipients) and generally all members must be trustees. In addition, no member of the fund can be an employee[4] of another member, unless they are related.

Members under a legal disability (eg < 18) cannot be trustees, however a parent, guardian or legal personal representative may be a trustee in their place.

Trustees must not receive remuneration for services performed as trustee.

Corporate Trustees (> 1 member funds)

A company can be a trustee of a SMSF where:

- All directors of the company are members of the fund
- Each member of the fund is a director of the company
- No member of the fund is an employee[4] of another member, unless they are related.

4 Includes employment by related entities.

Single Member Funds

- Allowed if the fund has an additional trustee who is not a member of the fund (the additional trustee cannot be an employer of the sole member unless they are related).
- A company with one or two directors may also be trustee of the fund as long as the member is a director. Where the trustee company has two directors, the SMSF member cannot be an employee of the other director unless related.

SISA s17A

Super Investment Rules

Complying funds must:

- Satisfy the sole purpose test — SISA s62
- Ensure all transactions are at arm's length — SISA s109
- Not borrow (limited exceptions) [1] — SISA s67
- Not provide financial assistance to members or relatives — SISA s65
- Not acquire assets from related parties [2] — SISA s66
- Satisfy the in-house asset rules — SISA s69–s85
- Ensure investments are consistent with the fund's investment strategy — SISR 4.09
- Not use fund assets as security for borrowing. — SISR 13.14

1 Subject to limited timeframes and a 10% cap of fund assets, trustees may borrow to meet benefit or surcharge liabilities. Also, subject to conditions, trustees may borrow to acquire allowable assets under an instalment warrant arrangement (see page 36).

2 Exceptions to acquiring assets from related parties include:

- Securities listed on an approved stock exchange
- Business real property (up to 100%) for funds with < five members only
- Units in widely held unit trusts
- Approved banking deposits
- Life insurance policies (other than those owned by a member or relative of a member)
- Arm's length investments in a PST
- In-house assets within allowable limits (see page 36).

Instalment Warrants (and similar borrowing arrangements)

From 24 September 2007, subject to strict requirements, funds can invest in certain 'instalment warrants' or similar investment arrangements involving a borrowing to acquire permitted assets. Core rules require that:

- The borrowing is used to acquire an asset held on trust on behalf of the super fund trustee who has a right (but not an obligation) to acquire the legal ownership through one or more payments
- The lender's recourse against the super fund trustee is limited to rights relating to the asset at the time of the action, and
- The asset (or any replacement) must be one which the super fund trustee is permitted to acquire and hold directly.

SISA s67(4A)

In-House Asset Rules

Generally, super funds are restricted from lending, leasing or investing more than 5% of the fund's total assets to a related party of the fund.

Transitional provisions:

Date of Investment	Counted as In-House Asset
To 11/8/1999	No [1]
12/8/1999 to 23/12/1999	Yes [1] (from 1/7/2001)
From 24/12/1999	Yes

1 Provided the investment wasn't captured under the old definition (ie investment in, or loan to a standard employer sponsor or an associate of the employer sponsor).

Funds with < five members were able to reinvest earnings and make payments on partly paid shares/units up to 30 June 2009.

Assets excluded from the in-house asset rules include:

- Business real property subject to a lease with a related party (funds with < five members).
- Property owned as tenants in common (unless subject to a lease with a related party).
- A private non-geared unit trust or company that meets certain conditions.

SISA s69–85, SISR 13.22C

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Note: The following section relates to complying superannuation arrangements and ordinary annuities. Unless specified otherwise, it does not apply to defined benefit interests, untaxed superannuation arrangements or non-residents.

Income Streams – Taxation Treatment

Superannuation Income Streams

These can be commenced with super benefits or employer DTPs (see page 12) although a relevant condition of release must be met (see page 29).

Benefits comprise two components – Tax Free and Taxable (see page 30). The Tax Free component of an income stream commenced after 30 June 2007 is determined at the purchase date by reference to the benefits, rollovers, and/or contributions used to purchase the income stream.

For income streams commenced prior to 1 July 2007, the Tax Free component is determined by the remaining Undeducted Purchase Price (giving an annual Deductible Amount) until a trigger event occurs – see page 39.

Benefits paid from taxed super funds to members aged 60 and over are tax-free and are non-assessable, non-exempt income (NANE).

The following table shows the tax rates applicable to income payments paid to members under age 60.

Note: If the income stream commences due to permanent disability (see footnote 1 on page 32) where the client is < age 55, the Taxable component is treated as per age 55–59. If the income stream commences due to death, see page 42.

Component	Tax treatment of income streams	
Tax Free	Tax-free	
Taxable	If under age 55	Taxed at marginal rates [1]
	If aged 55 to 59	Taxed at marginal rates [1], less 15% tax offset

1 Plus a Medicare levy of 1.5%.

ITAA97 s301–10, s301–15, s301–30, s301–40

Proportional Drawdown of Tax Components

Any withdrawal (income or commutation lump sum) includes both a Taxable and Tax Free component in the same proportion as these components make up of the amount used to purchase the income stream interest[1].

Existing pensions at 1 July 2007 will be converted to the proportional drawdown approach when one of the following trigger events occurs:

- The investor reaches age 60,
- The income stream is wholly or partially commuted, or
- The investor dies.

The Tax Free component at the trigger event is the remaining Undeducted Purchase Price (if any) plus, for post 1 July 1994 income streams, the value of the Pre 1 July 1983 component[2]. The proportion that this makes up of the value of the income stream interest[1] at the trigger event will be applied to any future payments to give the Tax Free component with the balance being Taxable.

For the tax treatment of commuted lump sums, see page 31.

1 For SMSFs an interest is deemed to include all of a member's entitlements in the fund other than pensions that have commenced to be paid. In public offer funds pensions that have commenced are separate interests. Otherwise, it depends on the nature of the claim against the trustee or whether the ATO determines that the purpose of separate accounts is primarily to obtain an unlawful tax benefit.

2 It is presumed an ETP is paid when the trigger event occurs. The value of the ETP for account based income streams is the account balance. The value of other income streams is determined by reference either to valuation factors set out in the law or, if the income stream has an identifiable lump sum, the value of that lump sum.

ITAA97 s307–125, ITAR97 307–200.02, 307–200.05

Pre 1 July 2007 Super Income Streams and Ordinary Money Annuities

Deductible Amount

$$= \frac{\text{Undeducted Purchase Price (UPP)} - \text{Residual Capital Value (RCV)}}{\text{Relevant Number (RN)}^{1}}$$

For income streams purchased with superannuation or employer ETPs, the UPP is calculated as follows:

Commencement Date	UPP
Before 1/7/1994 [2]	Undeducted + Pre 1/7/1983 + Concessional
1/7/1994 – 30/6/1997	Undeducted
1/7/1997 – 4/6/1998	Undeducted + CGT Exempt
After 4/6/1998	Undeducted + CGT Exempt + Post 30/6/1994 Invalidity

ITTPA s307–125, ITAA36 s27A–27H

For ordinary money annuities, the UPP equals the amount of the investment. Any taxable amount is taxable at the recipient's marginal rate (plus Medicare levy) – see page 2.

1 Relevant Number:

- For fixed term, is the term of the income stream (see pages 48–49 for the terms applicable to complying income streams), or
- For allocated and lifetime income streams, is the life expectancy of the investor (use longest life expectancy for joint life or automatic reversions of lifetime income streams).

2 Income streams purchased before 1July 2007 solely with the commutation proceeds of a Pre 1 July 1994 income stream also receive this favourable UPP treatment.

Commutation

Revised Deductible/Deduction Amount (DA)

A revised DA applies on commutation based on the following formulae:

	Taxation[1] (ordinary annuities)	Social Security[2]
Partial Commutation	$\frac{\text{Reduced UPP–RCV}}{\text{Reduced RN}}$	$\frac{\text{PP–RCV–Commutations}}{\text{Original RN}}$
Full Commutation	$\frac{\text{Remaining UPP–RCV}}{\text{New RN}}$	$\frac{\text{New PP–RCV}}{\text{New RN}}$

1 This is not relevant to superannuation income streams that are already subject to proportional drawdown. Also, existing income streams at 1 July 2007 will convert to proportional drawdown on commutation – see page 39. For the tax treatment of commuted lump sums from superannuation income streams, see page 31.

2 The tax 'Deductible Amount' definition applies to income streams with no identifiable PP or capital amount – more common in public sector or some corporate funds. For the Income and Assets Test treatment of income streams see page 57.

UPP = Undeducted Purchase Price (see page 40).

Reduced UPP = Original UPP reduced by UPP used in income payments and prior commutations.

PP = Purchase Price.

RN = Relevant Number (term or life expectancy – see page 40).

Reduced RN = Original RN reduced by the period (term) that the income stream has been payable.

New RN = Term of new income stream or new life expectancy (as per age on commencement).

Note: For income streams commencing after 1 October 2003, a pro-rata income payment may be required on full or partial commutation (with limited exceptions eg death).

ITAA36 s27H, SSA s9(1)

Death Benefits

Superannuation Income Streams

On death, superannuation income streams which commenced prior to 1 July 2007 are converted to the new tax components (unless already converted due to an earlier trigger event). The proportional drawdown rule applies regardless of whether the income stream continues or is paid out as a death benefit lump sum.

Only certain dependants for tax purposes will be able to commence or continue an income stream on death. This includes a spouse [1], a child < 18 [2], a child aged 18–25 who is financially dependent [2], a financial dependant (other than a child 25 or over) and an interdependent person.

1 Includes both opposite and same-sex de facto partners.

2 A death benefit income stream paid to a child will generally need to cease at age 25 – see page 34. Any child, including those aged 25 or over, may continue a death benefit income stream if it became payable to them before 1 July 2007.

Reversion of Income Stream [3]

The tax treatment of the income stream for these beneficiaries will depend upon the age of the deceased (at death) or the age of the recipient (at the date of payment), as follows:

Age of deceased/recipient	Component	Tax treatment
If either aged 60 or over	Tax Free	Tax-free
	Taxable – taxed element	Tax-free
If both under age 60	Tax Free	Tax-free
	Taxable – taxed element	Marginal tax rates, less 15% offset [4]

3 A reversionary income stream includes automatic reversion upon death or where the trustee exercises discretion to continue to pay the income stream.

4 Plus a Medicare levy of 1.5%. The income will be tax-free once the recipient reaches age 60.

Death Benefit Lump Sum

If the death benefit is taken as a lump sum (without first being paid as an income stream to beneficiaries of the deceased) the following tax treatment applies. Death benefit lump sums cannot be rolled over.

Beneficiary	Components	Tax rate
Tax dependant – spouse, former spouse, child < 18, financial dependant, interdependant	Tax Free and Taxable	Tax-free
Non-tax dependant	Tax Free	Tax-free
	Taxable – taxed element	15% [1]
	Taxable – untaxed element	30% [1]

1 Plus a Medicare levy of 1.5%, unless paid to the deceased's estate.

Commutation of death benefit income stream

If an income stream that has commenced or has continued to be paid due to death is subsequently commuted to a lump sum:

- It will generally be a death benefit lump sum and subject to the above tax treatment if it is paid within the later of three months from grant of probate/issue of letters of administration, or six months from date of death (the prescribed period), or
- If it is paid outside the prescribed period, and subject to the exceptions below, it will be treated as a superannuation lump sum and taxed accordingly [2] – see page 31.

A superannuation lump sum arising from the commutation of a death benefit income stream outside the prescribed period will be classed as NANE and is not subject to tax if the beneficiary is:

- A child under 25 or who must commute due to turning 25, or
- Permanently disabled.

2 In this circumstance, a spouse of the deceased can roll over the superannuation lump sum.

Note: A super fund may pay an anti-detriment amount to a spouse or a child of any age upon payment of a 'death benefit' lump sum.

ITAA97 s302–60, s302–75, s302–140, s302–145, s302–195, s303–5

Ordinary Money Income Streams

Capital amounts, including lump sums paid on death, are not subject to tax. Restrictions apply to return of capital (commutation or RCV).

If the income stream is continued, there is no change to the Deductible Amount upon automatic reversion, otherwise it is recalculated based on remaining UPP and dependant's life expectancy (if lifetime) or remaining fixed term.

ITAA36 s27H, ITAA97 s320–246

Superannuation Income Stream Options

From 1 July 2007, new standards apply to account based and non-account based income streams (except complying lifetime income streams). Income streams purchased prior to 20 September 2007 can continue to be paid on the original rules.

Account Based Income Streams

A minimum payment applies each year calculated by reference to age and a specified percentage of the account balance. Only those account based pensions that are commenced under the 'transition to retirement' (TTR) condition of release are subject to a maximum payment limit of 10% of the account balance each year.

Age at start or each 1 July	% of account balance for 2010/11 [1]	% of account balance for 2011/12 [1]
Under 65	2%	4%
65–74	2.5%	5%
75–79	3%	6%
80–84	3.5%	7%
85–89	4.5%	9%
90–94	5.5%	11%
95 or more	7%	14%

1 The account balance is the amount paid as consideration for the income stream plus earnings, minus fees, charges, taxes and payments.

Note: A payment may be deferred until the following financial year where an account based income stream is commenced between 1 June and 30 June. A pro-rata minimum payment is required if it is commenced before 1 June. However, the maximum 10% payment requirement for a TTR income stream does not need to be pro-rated. Investors have the option to elect that a particular income payment be treated as a lump sum for tax purposes.

SISR 1.05(11A), 1.06(9A), Schedule 7

Non-account Based Income Streams

New minimum standards apply to income streams commencing from 20 September 2007.

- New and existing lifetime income streams which meet the pre 20 September 2007 complying income stream requirements will be deemed to meet the new standards.
- Other non-account based income streams (such as fixed term annuities/pensions) need to meet certain criteria if offered from 20 September 2007, including a minimum payment at least equal to the purchase price of the income stream multiplied by the relevant account based percentage factor (see page 44) either:
  - In **every year**, where the income stream provides for a return of capital [1], or
  - In the **first year only**, if there is no return of capital, and the income stream is payable for life or a fixed term no greater than the difference between the investor's current age and age 100. Payments can be indexed in subsequent years but only by a fixed percentage or by a factor linked to CPI or AWOTE.

SISR 1.05(11A), 1.06(9A), Schedule 7

1 But not > 100% of the purchase price.

Transition to Retirement (TTR) Income Streams

These are account based income streams with a maximum income limit (10% of the account balance) and additional commutation restrictions that allow investors to access their preserved and restricted non-preserved super benefits after reaching their preservation age (see page 29). They can only be commuted in the following circumstances:

- To give effect to a Family Law split.
- Upon meeting any of the 'conditions of release' in items 1–6 on page 29.
- To give effect to a Release Authority (for excess contributions tax – see page 21).
- To another TTR income stream.

They can also be commuted and rolled back to an accumulation interest at any time (where the preservation status of the remaining benefit is retained).

Income Streams

Term Allocated Pension – Payment Factors (PF)

The income for a Term Allocated Pension/Annuity (TAP) is calculated at commencement and then at 1 July each year. From 1 January 2006, subject to provider rules, annual income can be varied between plus or minus 10%. After 19 September 2007 new (commutation funded) TAPs must meet both the existing payment factors and the new minimum account-based factors (see page 44).

Term Remaining	PF	Term Remaining	PF	Term Remaining	PF
45	22.50	30	18.39	15	11.52
44	22.28	29	18.04	14	10.92
43	22.06	28	17.67	13	10.30
42	21.83	27	17.29	12	9.66
41	21.60	26	16.89	11	9.00
40	21.36	25	16.48	10	8.32
39	21.10	24	16.06	9	7.61
38	20.84	23	15.62	8	6.87
37	20.57	22	15.17	7	6.11
36	20.29	21	14.70	6	5.33
35	20.00	20	14.21	5	4.52
34	19.70	19	13.71	4	3.67
33	19.39	18	13.19	3	2.80
32	19.07	17	12.65	2	1.90
31	18.74	16	12.09	1 or less	1.00

Note: Income is pro-rated during the first year and on commutation (where allowable with only limited exceptions). If a replacement TAP commences between 1 June and 30 June, the first income payment does not have to be made until the following financial year. Annual income is not recalculated on partial commutation but is recalculated at each 1 July. Any account balance remaining at the end of the term must be paid out as income within 28 days.

SISR Schedule 6

Life Expectancy Factors

The life expectancy factors to be used from 1 January 2010 are:

Age	Male	Female	Age	Male	Female
50	31.43	35.17	71	14.04	16.61
51	30.53	34.24	72	13.33	15.82
52	29.63	33.31	73	12.64	15.03
53	28.73	32.38	74	11.96	14.27
54	27.84	31.45	75	11.31	13.51
55	26.95	30.53	76	10.68	12.78
56	26.08	29.61	77	10.07	12.05
57	25.20	28.70	78	9.48	11.35
58	24.34	27.79	79	8.92	10.67
59	23.48	26.89	80	8.38	10.01
60	22.63	26.00	81	7.86	9.37
61	21.79	25.11	82	7.36	8.75
62	20.96	24.23	83	6.89	8.17
63	20.14	23.35	84	6.45	7.61
64	19.34	22.48	85	6.03	7.08
65	18.54	21.62	86	5.64	6.83
66	17.76	20.76	87	5.27	6.11
67	16.99	19.92	88	4.94	5.68
68	16.24	19.08	89	4.63	5.28
69	15.49	18.24	90	4.36	4.91
70	14.76	17.42			

Australian Life Tables 2005–2007

Complying Income Streams

These were generally purchased prior to 20 September 2007 to obtain a social security Assets Test Exemption (ATE) and/or qualify for Pension RBL assessment. The terms of existing arrangements continue to apply including commutation restrictions. Where purchased before 20 September 2007, 50% ATE may apply or, if purchased before 20 September 2004, 100% ATE may apply. Specific rules apply to these grandfathered concessions.

Term Allocated Pensions

- Income payments must be paid annually based on account balance and a payment factor (PF) related to the remaining term (see page 46).
- From 1 January 2006 the term established at commencement can only be a period between the investor's life expectancy (LE)[1] at their current age and the greater of:
  - The investor's LE[1] if they were five years younger, and
  - The difference between the investor's current age and age 100.

  Or, if the investor specifies that the income stream will automatically revert to a spouse with a longer LE, they may choose a term based on their own LE[1] (above) or a term between their spouse's LE[1] at their current age and the greater of:
  - The spouse's LE[1] if they were five years younger, and
  - The difference between their spouse's current age and age 100[2].

Note: A spouse includes a married or de facto partner including a same sex partner.

SISR 1.05(1A)/(1B), 1.05(10), 1.06(1A)/(1B), 1.06(8)

1 Life expectancy is rounded up to the nearest whole year.

2 Subject to governing rules/contract, for superannuation purposes (but not ATE purposes) a spouse established as an automatic reversionary may commute on death of original investor provided the term is based only on the original investor's details (see above). For both superannuation and ATE purposes, if the term is based on the details of the original investor's spouse (see above) the income stream must continue until death of both.

Lifetime [1]

- Annual income payments must be fixed except for indexation (capped at greater of CPI + 1% or 5% unless otherwise approved by the Regulator) [2].
- Payable for investor's life and, if applicable, automatic reversionary's life (unless a child < 16 or a student < 25) or joint ordinary annuity owners' lives.
- The maximum guarantee period is 10 years if commenced before 20 September 2004 or the lesser of 20 years or LE if commenced after this date. For a joint lifetime ordinary annuity, the longer LE may be used [3].

SISR 1.05(1A)/(1B), 1.05(2)/(3), 1.06(1A)/(1B), 1.06(2)/(3)

Life Expectancy (Fixed Term) [1]

- Annual income payments are fixed except for indexation (capped at greater of CPI + 1% or 5%).
- The allowable term is the same as for Term Allocated Pensions if commenced after 19 September 2004. Prior to 20 September 2004, the term must have been based on life expectancy or a term between 15 years and life expectancy and purchased on or after Age/Service Pension age.
- Couples (married or de facto) could purchase a joint ordinary annuity income stream for ATE purposes provided that each was the reversionary of the other with the term determined under the same conditions as a Term Allocated Pension (see page 48).

SISR 1.05(1A)/(1B), 1.05(9), 1.06(1A)/(1B), 1.06(7)

1 Lifetime and life expectancy pensions can only be commenced in a SMSF in limited circumstances (see page 50).

2 For superannuation purposes the income payments may reduce but by no more than the reduction in CPI (if applicable).

3 Lifetime income streams cannot be commuted by a reversionary or to the benefit of the recipient's estate if outside the guarantee period.

Common criteria includes:

- No Residual Capital Value.
- Generally, non-commutable except in first six months of a non-commutation funded complying income stream, to pay a surcharge liability, to give effect to a Family Law split, for Release Authority purposes (related to excess contributions tax), on death (see footnote 2 on page 48) or, to purchase another complying income stream.
- Purchase price must be wholly converted into income.
- Capital must not be used as security for borrowing.
- Cannot be transferred except on death.
- Reversion/Commutation value cannot be > 100% of the benefit immediately prior to reversion/commutation.
- Restrictions apply on continuation of the income stream on death by a child – see page 34.

SISR 1.05, 1.06; SSA s9A, s9B & 9BA; VEA s5JA & s5JB

Defined Benefit Pensions (fixed term or lifetime)

A lifetime or fixed term pension can only be commenced in a < 50 member fund where:

- The pension is wholly backed by life policies, or
- The 'terms and conditions' of the pension were specified in the funds' governing rules before 12 May 2004.

New fixed term pensions must meet the non-account based income stream conditions on page 45.

SISR 9.04E, 9.04F

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Rates and Thresholds

	Single	Couple
Age Pension [1]	$701.10 pf	$528.50 pf (each)
Newstart Allowance [2]	$468.80 pf	$420.70 pf (each)
Deeming Rates		
3.0%	First $43,200	First $72,000
4.5%	Above $43,200	Above $72,000
Income Test cut out thresholds (Pension)		
Full Pension	Up to $146.00 pf	Up to $256.00 pf
Part Pension	Less than $1,548.20 pf	Less than $2,370.00 pf
Assets Test cut out thresholds		
Home-owners		
Full Pension	Up to $181,750 [3]	Up to $258,000 [3]
Part Pension	Less than $649,250	Less than $963,000
Non-home-owners		
Full Pension	Up to $313,250 [3]	Up to $389,500 [3]
Part Pension	Less than $780,750	Less than $1,094,500

1 Includes Pension Supplement of $56.90 pf for singles and $85.80 pf (combined) for couples.

2 Includes Pharmaceutical Allowance of $6.00 pf for singles and $6.00 pf (combined) for couples.

3 These figures are cut-off limits to qualify for an allowance.

Note: These figures are the non-transitional values and are current to 19 September 2010.

Social Security Assessment

Pensions

Pension Payable = Maximum Pension – Pension Reduction

	Income Test	Assets Test [1]
Pension Reduction	Income [2] above threshold x 0.5 [3]	(Assets [2] above Reduction threshold / 1,000) x $1.50 per fortnight

Note: Lower of amount calculated under the Income and Assets Tests is the pension payable.

Allowances

Allowance Payable = Maximum Allowance – Allowance Reduction

	Income Test [4]		Assets Test [1]
Allowance Reduction	First $62 pf	Nil	No reduction [5]
	$62–$250 pf	0.5	
	Above $250 pf	0.6	

1 Assets must be rounded down to the nearest $250 (singles) and $500 (couples).

2 Single or couple combined.

3 This reduction rate is applicable from 20 September 2009. Some pensioners may qualify for transitional rates and their reduction is 0.4.

4 This test must be applied to each member of a couple based on their own income. Partner income which exceeds cut-out point reduces fortnightly allowance by 60 cents per dollar.

5 To qualify, assets must be below the lower threshold for the Assets Test (see page 52).

Note: Newstart Allowance cuts out when income reaches $874.67 pf for singles and $789.50 pf each for couples (current to 19 September 2010).

Assessment of Couples

Pensioner and Allowee Couple:

Pension benefit

Determined by applying the standard pension Income and Assets Tests and halving the combined couple rate.

Allowance benefit

Determined by assessing the combined assets against the couple (combined) Assets Test limit and half the combined income against the Income Test thresholds.

One member of a couple on a pension:

Pension benefit

Determined by applying the pension Income and Assets Tests using combined income and assets and halving the combined couple rate.

Allowee couple (whether both on benefits or not):

Allowance benefit

Determined by assessing the combined assets against the couple (combined) Assets Test limit. For the Income Test each allowee is assessed on their own income. However, partner's income in excess of cut-off threshold reduces allowee's benefit by 60 cents per dollar.

Waiting Periods

For people qualifying for certain payments (eg Newstart Allowance) the following waiting periods apply:

1. Ordinary Waiting Period – seven days

2. Liquid Assets Waiting Period [1] – up to 13 weeks as per table:

Liquid Assets[2] (single, no dependents)	Liquid Assets[2] (couples or singles + dependents)	Waiting period (weeks)
$5,500-$5,999	$11,000-$11,999	1
$6,000-$6,499	$12,000-$12,999	2
$6,500-$6,999	$13,000-$13,999	3
$7,000-$7,499	$14,000-$14,999	4
$7,500-$7,999	$15,000-$15,999	5
$8,000-$8,499	$16,000-$16,999	6
$8,500-$8,999	$17,000-$17,999	7
$9,000-$9,499	$18,000-$18,999	8
$9,500-$9,999	$19,000-$19,999	9
$10,000-$10,499	$20,000-$20,999	10
$10,500-$10,999	$21,000-$21,999	11
$11,000-$11,499	$22,000-$22,999	12
$11,500 +	$23,000 +	13

Note: These thresholds are only applicable between 1 April 2009 and 31 March 2011. Thereafter the standard liquid assets thresholds will apply.

3. Income Maintenance Period [1] – no maximum limit. A person's payments will generally be delayed from the date they receive any leave entitlements and/or a time related redundancy payment up until the end of the period covered by these entitlements.

1 The liquid assets waiting period and the income maintenance period are served concurrently.

2 Includes cash, shares, managed funds and employment termination payments (see page 12) and super benefits taken as cash.

Pension Qualifying Ages

Age Pension

The qualifying ages to be eligible to claim an Age Pension will depend on the person's date of birth as per the following schedule:

Date of birth	Qualifying Age	
	Male	Female
1/1/1946 – 30/6/1947	65	64
1/7/1947 – 31/12/1948	65	64.5
1/1/1949 – 30/6/1952	65	65
1/7/1952 – 31/12/1953	65.5	65.5
1/1/1954 – 30/6/1955	66	66
1/7/1955 – 31/12/1956	66.5	66.5
1/1/1957 onwards	67	67

Note: Women born prior to 1 January 1946 have already reached their qualifying ages of 60 to 63.5.

DVA Age Service Pension

To be eligible to claim a DVA Service Pension, the qualifying age for males is 60. For women their qualifying age will depend on their date of birth as per the adjacent schedule:

Age Service Pension	
Date of birth	Qualifying Age
1/1/1951 – 30/6/1952	59
1/7/1952 – 31/12/1953	59.5
1/1/1954 and later	60

Note: Women born prior to 1 January 1951 have already reached their qualify ages of 55 to 58.5.

Superannuation Benefits

Superannuation assets are exempt from the Income and Assets Tests until a person reaches Age or Service Pension age (see above). Thereafter the superannuation benefit is counted as an asset and is subject to deeming under the Income Test (see page 52). However, an exemption may apply to those people who have reached Age or Service Pension age but are less than age 65 and unable to access their super.

Withdrawal from Super

If under Age or Service Pension age, withdrawals from super are not assessed as income. However, the amount withdrawn may become assessable when invested.

Contribution to Super

Reportable super contributions (eg salary sacrifice and personal deductible contributions) are included in the Income Test.

Income Streams

	Income Test	Assets Test
Asset-tested (five years or less)	Subject to Deeming	= PP–[((PP–RCV)/RN)xYE]
Asset-tested (> five years incl. account based pensions)	Annual Income less Deduction Amount [1] [where DA = (PP–Commutations–RCV) /RN]	= Account Balance, or = PP–[((PP–RCV)/RN)xYE]
Asset-tested exempt (complying income streams) [2]	Annual Income less Deduction Amount [1] (as above)	**Commenced before 20/9/2004:** 100% exempt [3] **Commenced between 20/9/2004 and 19/9/2007:** [4] = 50% x Account Balance, or = 50% x [PP–[((PP–RCV)/RN)xYE]]

PP = Purchase Price.

RCV = Residual Capital Value.

RN = Relevant Number (term or life expectancy – see page 40).

YE = Years Elapsed. This is expressed in increments of 0.5 if 2 or more payments in a year (whole year for annual payments). Reduction to asset value occurs at six-monthly intervals.

1 If a commutation is made, the Deduction Amount will change – see page 41.

2 An Assets Test Exemption (ATE) will not apply to new income streams purchased from 20 September 2007, although commutation funded complying income streams (see page 48) can be purchased and will retain their ATE in certain circumstances.

3 Temporary relief was available until 30 June 2010 for clients with a complying defined benefit pension payable from a SMSF where the fund failed to meet the Centrelink high probability test. Provided the fund was solvent, the client could have retained the complying pension in the SMSF without triggering a Centrelink penalty. However, the complying pension became asset tested after six months from the effective actuarial review date.

4 If these income streams are commuted and rolled to a new complying income stream the 50% ATE will be retained if the commutation was due to: removal of a reversionary beneficiary from a lifetime income stream (due to death or separation); failure to meet actuarial reserving requirements; a 'successor fund' transfer; a divorce property settlement; hardship (under the social security rules); or to meet a surcharge liability.

Clients will only have one opportunity to commute and roll to a new complying income stream and retain their ATE where the commutation was due to the removal of a reversionary beneficiary or failure to meet actuarial reserving requirements.

Private Trusts and Companies

If a person has an involvement in either a private trust or company, and the income and assets of the trust or company are attributed to that person as a controller or source of the assets, then the value of the income and assets of the trust or company will be included in their assessment for any social security income support payments.

Conventional Life Policies

Conventional Life policies (eg whole of life and endowment policies) are only assessed under the Income Test when the policy is surrendered or matured (bonuses received are treated as income for the following 12 months).

The surrender value of the policy may be assessed under the Assets Test depending on how the money is invested.

Gifting

Social Security recipients can gift up to a maximum of $30,000 over a five year rolling period.

While singles and couples (combined) can still gift up to $10,000 in any given financial year, if the level of gifting exceeds $10,000 in a financial year or $30,000 over a five year rolling period, the excess amount will be subject to deprivation.

Deprivation Provisions

This applies to assets that are disposed of without adequate consideration in the period of five years before commencing social security benefits (above the relevant gifting limits), as well as excess amounts gifted in a particular year (see above). The deprived amount is counted as an asset under the Assets Test and is subject to deeming under the Income Test for a period of five years from the date of disposal/gifting.

Gifting of a source of income (without adequate consideration) is treated as an ongoing disposal.

Pension Bonus Scheme

Note: The Pension Bonus Scheme closed to new entrants on 20 September 2009. However, people who turned Age Pension age before 20 September can still register under the scheme. Existing scheme members can continue to accrue entitlements under existing rules.

Allowed people who deferred claiming the Age Pension (and continued working) to receive a tax-free lump sum bonus.

To be eligible, a client had to:

- Register for the scheme or turned Age Pension age before 20 September 2009,
- Defer claiming for at least one year,
- Work at least 960 hours per year, and
- Not receive any income support payment (except Carers Payment) since reaching Age Pension age.

Bonus Amount = Annual Pension Entitlement[1] x (9.4% x Years in scheme) x Years in scheme

Maximum Bonus [2]

Year	Single	Couple (each)
1	$1,623.10	$1,227.40
2	$6,492.20	$4,909.50
3	$14,607.50	$11,046.40
4	$25,969.00	$19,638.00
5	$40,576.50	$30,684.40

1 At the time of making a claim, excludes pharmaceutical and rent allowance.

2 These figures are current to 19 September 2010.

Note: A similar scheme operates for DVA Veterans.

Commonwealth Seniors Health Card [1]

Available to people of Age or Service Pension age who do not qualify for income support (eg self-funded retirees). Eligibility is not assets tested although an Annual Income Limit does apply (based on adjusted taxable income [2]) – see table below.

	Single	Couple (combined)
Annual Income limit [2]	$50,000	$80,000

1 From 20 September 2009, cardholders will receive a quarterly Seniors Supplement. This supplement is worth $795.60 pa for singles and $1,201.20 pa for couples combined.

2 Includes total net investment losses and reportable super contributions.

Note: These figures are current to 19 September 2010. The annual income limit for couples who are separated by illness, respite care or gaol, is $100,000 combined or $50,000 each.

Aged Care Contents

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Moving into Residential Aged Care

Before someone can enter an Aged Care facility, their health situation must be assessed by members of an Aged Care Assessment Team to determine whether a Low Level Care (Hostel) or High Level Care (Nursing Home) is appropriate.

Low Level Care (Hostel)

Generally provide accommodation and personal care, such as help with dressing and showering, together with occasional nursing care.

High Level Care (Nursing home)

Provide care for people with a greater degree of frailty and who often need continuous nursing care. Some nursing homes are classified as an **Extra Service** facility. They offer hotel-type services and extra fees are payable.

Summary of Aged Care Costs

	Low Level Care (Hostel)	High Level Care (Nursing Home)	Extra Service (Nursing Home)
Accommodation Bond [1]	Yes	No	Yes
Accommodation Charge [1]	No	Yes	No
Basic Daily Fee [2]	Yes	Yes	Yes
Daily Income Tested Fee [2]	Yes	Yes	Yes

1 See page 63 for more information.

2 See page 64 for more information.

Aged Care Costs

Accommodation Bond

- An amount charged by Low Level Care (Hostel) and Extra Service (Nursing Home) facilities for accommodation based on resident's assets at time of entry.
- Assessed by Centrelink or DVA.
- No set amount charged.
- Only legislative requirement is resident must be left with a minimum level of assets (currently $37,500).
- If assets < $37,500, bond not payable.
- May be paid either as lump sum, instalments or combination of both.
- If paid by instalments, interest rate applies (currently 8.80% pa).

Note: Thresholds and rates are current to 19 September 2010.

Accommodation Charge

- A daily charge, generally imposed by High Level Care (Nursing Home) facilities, based on resident's assets at time of entry (see table below).
- Assessed by Centrelink or DVA.
- Residents with < $37,500 in assets won't pay.

Resident's status	Accommodation charge per day
Fully Supported (assets < $37,500)	N/A
Partially Supported (assets $37,500 – $93,410.40)	(Assessable assets-$37,500)/2,080 Cap for pensioners: $26.88
Non-Supported (assets $93,410.40 +)	Cap for pensioners: $26.88 Cap for non-pensioners: $26.88

Note: Thresholds and rates are current to 19 September 2010.

Basic Daily Fee

- Contribution towards accommodation costs and living expenses.
- Payable by residents in all Aged Care facilities.
- Amount payable depends on resident's status (determined by Dept of Health and Ageing).

Fee/charge/thresholds (max.)	Rates per day
Standard Resident Contributions	Up to $38.65
Protected Resident Contributions	Up to $35.29
Phased Resident Contributions	Up to $35.89
Non-Standard Resident Contributions	Up to $43.95

Note: Thresholds and rates are current to 19 September 2010.

Daily Income Tested Fee

- Residents in all Aged Care facilities may be asked to pay an income tested fee.
- Depends on income and level of care.
- Calculated using following formula:

  Fortnightly Fee = (Total Assessable Income – Income Tested Fee threshold) x (5/12)
- Fees are reviewed four times per year.

For those who entered care on or after 20 March 2008, daily income tested fee is lesser of:

- actual cost of care, and
- 5/12^{ths} (41.67%) of total assessable income over income tested fee thresholds per fortnight and is capped at $62.11.

Different income tested fee thresholds apply for each resident status. The relevant thresholds in the table below are current to 19 September 2010.

Income tested fee thresholds	Single per fortnight	Per member of a couple per fortnight
Standard	$816.50	$798.50
Non-Standard	$816.50	$798.50
Protected	$734.50	$716.50
Phased	$746.23	$728.23

Note: Residents who entered care before 20 March 2008 will have their 'income tested fee' calculated based on the old formula that applied before 20 March 2008 (ie 25% of each dollar of non-pension income above the 'income free area') and the new formula that was introduced on 20 March 2008 (as discussed above). The formula that results in a lower amount will apply. For residents who enter from 20 March 2008, the new formula will apply.

Social Security Implications

1. Higher pension may be paid.
2. If receiving rent assistance prior to entry, this will be cancelled (subsidies would be paid directly to Aged Care facility by Dept of Health and Ageing). If a spouse or partner remained in rented family home, he/she could still be eligible for Rent Assistance.
3. Treatment of family home summarised in following table:

	Income Test	Assets Test	Homeownership status
Home sale proceeds held as cash	Deemed immediately	Assessable immediately	Non-homeowner
Retained home partner residing	Not assessable	Not assessable	Homeowner
Retained home rented (not paying periodic accommodation bond or charge)	Assessable as if an investment property	Assessable after two years	Homeowner (while home is exempt) Non-homeowner (if home no longer exempt)
Retained home rented (paying periodic accommodation bond or charge)	Not assessable	Exempt indefinitely	Homeowner

Tax Implications

1. **Selling a home** – no CGT implications.
2. **Selling other assets** – may be subject to CGT.
3. **Following Aged Care costs qualify for the Net Medical Tax Offset (NMETO):**

- Basic Daily Fee
- Daily Income Tested Fee
- Extra Service Fee
- Accommodation Charge
- Periodic payments of Accommodation Bond
- Amounts drawn from Accommodation Bond as lump sum (retention or drawdown amounts).

Insurance Contents

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Life Cover

Scenario	What 'upfront' tax concessions are available?
Owned by **individual on own life**, paid by individual for personal protection	None
Owned by **individual on own life**, paid by employer	Employer can claim premiums (and related FBT liability[1]) as tax deduction.
Owned by company, trustee of a trust, partners in partnership or sole trader for **Revenue Protection** (Key Person) purposes	The company, trustee of a trust, partnership or sole trader can claim premiums as tax deduction (IT 155) provided a term insurance policy is used.
Owned by company, trustee of a trust, partners in partnership or sole trader for **Asset Protection** (Key Person) purposes[2]	None
Super Fund Trustee owns on member	Fund trustee can claim premiums as tax deduction. At the member level: • Self-employed and other eligible people can claim personal super contributions as a tax deduction (see page 26) • Employees can make pre-tax (salary sacrifice) super contributions • Certain members may be eligible for Government co-contributions (see page 27). **Note:** Super contributions will count towards members' concessional or non-concessional contribution cap[3] (see page 20).

1 FBT of 46.5% is payable on 186.92% of the premiums.

2 Other ownership options may be available when life insurance is used for asset protection purposes.

3 Member must also be eligible to contribute to super – see page 24.

Are benefits assessable for tax purposes?	Are benefits subject to Capital Gains Tax (CGT)?
No, if benefit is paid as result of death or terminal illness. Accidental injury benefit treated as TPD.	No, unless recipient not original beneficial owner and acquired interest for consideration[1]. (ITAA97 s118-300(1))
No (as above)	No (as above)
Yes. Benefits are assessable to company, trustee of a trust, partnership or sole trader at applicable tax rate (IT 155) provided a term insurance policy is used.	No (as above)
No (IT 155)	No (as above)
If paid as lump sum, tax treatment outlined on page 33. If paid as pension to eligible beneficiaries, tax treatment outlined on page 42.	No

1 Consideration may be monetary or otherwise, but does not include premiums paid on policy (TD 94/34).

Total and Permanent Disability Cover

Scenario	What 'upfront' tax concessions are available?
Owned by **individual on own life**, paid by individual for personal protection	None
Owned by **individual on own life**, paid by employer	Employer can claim premiums (and related FBT liability [1]) as tax deduction.
Owned by company, trustee of a trust, partners in partnership or sole trader for **Revenue Protection** (Key Person) purposes	The company, trustee of a trust, partnership or sole trader can claim premiums as tax deduction (IT 155).
Owned by company, trustee of a trust, partners in partnership or sole trader for **Asset Protection** (Key Person) purposes [2]	None
Super Fund Trustee owns on member	Fund trustee can claim premiums as tax deduction[3]. At the member level: • Self-employed and other eligible people can claim personal super contributions as a tax deduction (see page 26) • Employees can make pre-tax (salary sacrifice) super contributions • Certain members may be eligible for Government co-contributions (see page 27). **Note:** Super contributions will count towards members' concessional or non-concessional contribution cap [4] (see page 20).

1 FBT of 46.5% is payable on 186.92% of the premiums.

2 Other ownership options may be available when total and permanent disability insurance is used for asset protection purposes.

3 From 1 July 2011, transitional relief concerning deductibility of TPD premiums will cease. It is proposed premiums will only be deductible to the extent the policies have the necessary connection to a liability of the fund to provide disability superannuation benefits to their members and not other types of insurance for which premiums are collected from their members.

4 Member must also be eligible to contribute to super – see page 24.

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Are benefits assessable for tax purposes?	Are benefits subject to Capital Gains Tax (CGT)?
No. Benefits are tax-free to insured.	No, if recipient is life insured or defined relative [1] of life insured. (ITAA97 s118–37)
No (as above)	No (as above)
Yes. Benefits are assessable to company, trustee of a trust, partnership or sole trader at applicable tax rate (IT 155).	Yes, if recipient is not life insured or defined relative [1] of life insured (ITAA97 s118–37), **however** capital gain reduced by amount included in assessable income [2].
No (IT 155)	Yes, if recipient is not life insured or defined relative [1] of life insured. (ITAA97 s118–37)
If paid as lump sum, tax treatment is outlined on page 31. If paid as pension, tax treatment is outlined on page 38.	No

1 Defined relatives include:

a. the person's spouse, or

b. the parent, grandparent, brother, sister, uncle, aunt, nephew, niece, lineal descendent or adopted child of that person, or of that person's spouse, or

c. the spouse of a person referred to in paragraph (b).

2 It's generally unlikely for a capital gain to be higher than the amount otherwise assessable as income.

Critical Illness Cover (benefit paid as a lump sum)

Scenario	What 'upfront' tax concessions are available?
Owned by **individual on own life**, paid by individual for personal protection	None
Owned by **individual on own life**, paid by employer	Employer can claim premiums (and related FBT liability[1]) as tax deduction.
Owned by company, trustee of a trust, partners in partnership or sole trader for **Revenue Protection** (Key Person) purposes	The company, trustee of a trust, partnership or sole trader can claim premiums as tax deduction (IT 155).
Owned by company, trustee of a trust, partners in partnership or sole trader for **Asset Protection** (Key Person) purposes[2]	None

Note: In some cases, it's possible to take out critical illness cover in a super fund. However, premiums are not deductible to the fund and the benefit will only be accessible if the member satisfies a condition of release (see page 29). This means that even if the benefit is payable from the policy, the fund trustee may not be able to release the proceeds.

1 FBT of 46.5% is payable on 186.92% of the premiums.

2 Other ownership options may be available when critical illness insurance is used for asset protection purposes.

Are benefits assessable for tax purposes?	Are benefits subject to Capital Gains Tax (CGT)?
No. Benefits are tax-free to insured.	No, if recipient is life insured or defined relative [1] of life insured. (ITAA97 s118–37)
No (as above)	No (as above)
Yes. Benefits are assessable to company, trustee of a trust, partnership or sole trader at applicable tax rate (IT 155).	Yes, if recipient is not life insured or defined relative [1] of life insured (ITAA97 s118–37), **however** capital gain reduced by amount included in assessable income [2].
No (IT 155)	Yes, if recipient is not life insured or defined relative [1] of life insured. (ITAA97 s118–37)

1 Defined relatives include:

a. the person's spouse, or

b. the parent, grandparent, brother, sister, uncle, aunt, nephew, niece, lineal descendent or adopted child of that person, or of that person's spouse, or

c. the spouse of a person referred to in paragraph (b).

2 It's generally unlikely for a capital gain to be higher than the amount otherwise assessable as income.

Income Protection and Business Expenses Cover

Scenario	What 'upfront' tax concessions are available?
Owned by **individual on own life**, paid by individual for personal protection	Individual can claim premiums as tax deduction.
Owned by **individual on own life**, paid by employer	Employer can claim premiums as tax deduction [1].
Super Fund Trustee owns on member (Income Protection insurance only)	Fund trustee can claim premiums as tax deduction. At the member level: • Self-employed and other eligible people can claim personal super contributions as a tax deduction (see page 26) • Employees can make pre-tax (salary sacrifice) super contributions • Certain members may be eligible for Government co-contributions (see page 27). **Note:** Super contributions will count towards members' concessional or non-concessional contribution cap [2] (see page 20).

1 FBT is not payable, as the premium is 'otherwise deductible' to the employee.
2 Member must also be eligible to contribute to super – see page 24.

Are benefits assessable for tax purposes?	Are benefits subject to Capital Gains Tax (CGT)?
Yes. Benefits are assessable to individual.	No
Yes (as above)	No
Yes (as above)	No

Notes

Abbreviations (Legislation)

GCCA	Superannuation (Government Co-Contribution for Low Income Earners) Act 2003
IT	Income Tax Ruling
ITAA36	Income Tax Assessment Act 1936
ITAA97	Income Tax Assessment Act 1997
ITAR97	Income Tax Assessment Regulations 1997
ITTPA	Income Tax (Transitional Provisions) Act 1997
SECCA	Superannuation Excess Concessional Contributions Act 2007
SENCCA	Superannuation Excess Non-Concessional Contributions Act 2007
SGAA	Superannuation Guarantee Administration Act 1992
SGAR	Superannuation Guarantee Administration Regulations 1993
SGD	Superannuation Guarantee Determination
SGR	Superannuation Guarantee Ruling
SISA	Superannuation Industry Supervision Act 1993
SISR	Superannuation Industry Supervision Regulations 1994
	Note: RSA legislation is similar to SIS
SSA	Social Security Act 1991
TAA	Taxation Administration Act 1953
TD	Tax Determination
VEA	Veterans Entitlements Act 1986

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