For adviser use only

MLC Facts and Figures

2017/18

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Tax contents

Personal tax rates

Personal tax rates – residents	
Taxable income	**Tax payable** (excludes Medicare levy)
$0 – $18,200	Nil
$18,201 – $37,000	19%
$37,001 – $87,000	$3,572 + 32.5%
$87,001 – $180,000	$19,822 + 37%
$180,001 +	$54,232 + 45%

Personal tax rates – non-residents		
Taxable income	**Tax payable** (Medicare levy not payable)	
	Residents on subclass 417 and 462 visas ('Backpackers')	Other non-residents
$0 – $37,000	15%	32.5%
$37,001 – $87,000	$5,550 + 32.5%	32.5%
$87,001 – $180,000	$21,800 + 37%	$28,275 + 37%
$180,001 +	$56,210 + 45%	$62,685 + 45%

Taxation of resident minors		
Income sources	**Income thresholds**	**Tax payable** (excludes Medicare levy)
Unearned income	$0 – $416	Nil
	$417 – $1,307	66% of excess over $416
	$1,308 +	45% of entire unearned income
Income from a business, employment or deceased estate	Normal adult marginal rates	

Medicare levy and surcharge

Medicare levy 2016/17		
Single taxable income[1]	**Family taxable income[1]**	**Medicare levy**
Not eligible for Senior and Pensioner Tax Offset (SAPTO)		
$0 – $21,655	$0 – $36,541[2]	Nil
$21,656 – $27,068	$36,542[2] – $45,676[3]	10% of taxable income between thresholds
$27,069 +	$45,677[3] +	2%
Eligible for SAPTO		
$0 – $34,244	$0 – $47,670[2]	Nil
$34,245 – $42,805	$47,671[2] – $59,587[3]	10% of taxable income between thresholds
$42,806 +	$59,588[3] +	2%

1 Based on taxable income, excluding taxed element of a super lump sum received between preservation age and age 59 which does not exceed low rate cap.

2 Plus $3,356 per dependent child.

3 Plus $4,195 per dependent child.

Medicare levy surcharge 2017/18		
Single income for surcharge purposes[4]	**Families[5] income for surcharge purposes[4]**	**Medicare levy surcharge rate**
< $90,001	< $180,001	0%
$90,001 – $105,000	$180,001 – $210,000	1%
$105,001 – $140,000	$210,001 – $280,000	1.25%
≥ $140,001	≥ $280,001	1.5%

4 Includes taxable income, reportable fringe benefits, total net investment losses, reportable employer super contributions, exempt foreign employment income (and certain trust income).

5 Family threshold increases by $1,500 for every child after first child.

Tax offsets and tax-free thresholds

Tax offsets			
Offset	**Max offset**	**Shade-out income**	**Rate of reduction**
Low income[1]	$445	$37,000 – $66,667	$0.015 per $1.00
Seniors and Pensioners[2]			
Single	$2,230	$32,279 – $50,119	$0.125 per $1.00
Couple	$1,602	$28,974 – $41,790	$0.125 per $1.00

1 Based on taxable income.

2 Based on 'rebate income', which includes taxable income, adjusted fringe benefits, reportable super contributions and total net investment losses.

Effective tax-free thresholds	
Taxpayer eligible for:	**Effective tax-free thresholds**
Low income tax offset (LITO) only	$20,542
Senior and Pensioners tax offset and LITO	
Single	$32,279
Couple	$57,948 combined
15% pension offset	$49,753[3]

3 Where no other sources of income received and pension 100% taxable component.

Corporate and small business taxation

Corporate tax rate	
Annual aggregated turnover	**Tax rate**
< $25 million	27.5%
$25 million +	30%

Note: From 2024/25 tax rate for entities with aggregated annual turnover below relevant threshold (see below) will decrease progressively and reach 25% from 2026/27.

Annual aggregated turnover	
Financial year	**Annual aggregated turnover to qualify for reduced tax rate**
2017/18	$25m
2018/19 onwards	$50m

Small business tax offset	
Financial year	**Rate of offset**
2017/18 to 2023/24	8%
2024/25	10%
2025/26	13%
2026/27	16%

Capital gains tax

General CGT provisions

Taxpayer	Asset acquired	CGT payable
Individual	To 19/9/1985	Nil
	20/9/1985 to 21/9/1999	Tax on 50% of nominal gain, **or** Tax on 100% of real gain[1] (CPI frozen at 30/9/1999)
	From 22/9/1999	Tax on 50% of nominal gain[1]
Company	To 19/9/1985	Nil
	20/9/1985 to 21/9/1999	Tax on 100% of real gain (CPI frozen at 30/9/1999)
	From 22/9/1999	Tax on 100% of nominal gain
Complying super fund	To 21/9/1999	Tax on 2/3rds of nominal gain[1], **or** Tax on 100% of real gain (CPI frozen at 30/9/1999)
	From 22/9/1999	Tax on 2/3rds of nominal gain[1,2]

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

2 If asset was purchased before 21/9/99, other method may be available.

CGT small business concessions

Concessions can enable eligible small business owners to:	• Manage CGT when disposing of active business assets • Get more money into super
Further information can be found in:	• Tax folder in Technical section of secure adviser site at **mlc.com.au** • Australian Taxation Office website at **ato.gov.au**

CGT ON INHERITED PROPERTY[1]				
Use of asset at death	**Beneficiary's cost base**	**Beneficiary's ongoing use of asset**	**Time of sale by beneficiary**	**Is CGT payable by beneficiary**
Property acquired by deceased < 20/09/1985				
Main residence	Market value at date of death	Main residence	Anytime	No
		Investment	Sold < 2 years	No
			Sold 2 years +	Yes
Investment	Market value at date of death	Main residence	Anytime	No
		Investment	Sold < 2 years	No
			Sold 2 years +	Yes
Property acquired by deceased > 19/09/1985				
Main residence	Market value at date of death	Main residence	Anytime	No
		Investment	Sold < 2 years	No
			Sold 2 years +	Yes
Investment	Inherits deceased's cost base	Main residence	Anytime	Yes, using formula below
		Investment	Anytime	Yes

Partial CGT exemption formula

$$\textbf{Taxable portion} = \text{Gross capital gain} \times \frac{\text{Non main residence days}}{\text{Total days in ownership period}}$$

[1] Special rules may apply in certain cases including where a beneficiary inherited property and first used it to produce assessable income before 20/08/1996.

Termination of employment

Redundancies	
General conditions	• Under age 65 • Position no longer exists • No re-employment arrangement
Tax-free amount	• $10,155 + $5,078 for each completed year of service • Excess taxed as ETP – see below

Employment termination payments (ETPs)	
What is an ETP?	Lump sum payment received when employment arrangement has come to an end
Examples of ETPs	• Genuine redundancy payments exceeding tax-free limit • Unused sick leave • Unused rostered days off • Payments in lieu of notice • Golden handshakes (also known as 'ex-gratia' payments) • Compensation for loss of job or wrongful dismissal • Invalidity

Taxation of ETPs

Age at end of financial year	Component	Tax rate
< Preservation age	Tax Free	Tax-free
	Taxable	≤ cap amount taxed at 30%[1] Excess taxed at 45%[1]
Preservation age +	Tax Free	Tax-free
	Taxable	≤ cap amount taxed at 15%[1] Excess taxed at 45%[1]

[1] Plus Medicare levy

ETPs – caps and reductions

Cap amount on taxable component	
Genuine redundancy, invalidity or approved early retirement	$200,000 annual ETP cap
Other ETPs	Lesser of: • $200,000 annual ETP cap, and • $180,000 whole of income cap
Cap reductions	
Annual ETP cap	Reduced by taxable component of all ETPs received in a financial year (or related to that year)
Whole of income cap	Reduced by any other taxable income earned in financial year either before or after receiving ETP

Taxation of other termination payments

Leave type	Termination of employment	Maximum tax rate[1]
Accrued annual leave	Resignation/retirement • To 17/8/1993 • From 18/8/1993	 • 30% • MTR
	Genuine redundancy / invalidity / early retirement[2]	30%
Accrued long service leave	Resignation/retirement • To 15/8/1978 • 16/8/1978 to 17/8/1993 • From 18/8/1993	 • 5% at MTR • 30% • MTR
	Genuine redundancy / invalidity / early retirement[2] • To 15/8/1978 • From 16/8/1978	 • 5% at MTR • 30%

1 Plus Medicare levy.

2 Employment must cease before age 65 for genuine redundancy, invalidity and early retirement.

Other taxation

Non-resident withholding tax rates

Non-resident withholding is a final tax on certain Australian sourced income that is not subject to income tax.

Type of payment	Non-tax treaty country	Tax treaty country (These are general rates. Refer to specific tax treaty for confirmation)
Unfranked dividends	30%	Generally 15%
Interest	10%	Generally 10%
Royalties	30%	Generally 10%
Franked dividends	0%	0%

Taxation of insurance bonds

Withdrawals in year:	Assessable portion of accumulated bonuses taxable	Tax offset (non-refundable)
1–8	100%	Up to 30% of assessable portion
9	2/3rds	
10	1/3rd	
11+	0%	Not available

Subsequent premiums	Re-start 10 year period
< 125% of previous year	No
125% + of previous year	Yes

Other information	
Accumulated bonuses	Growth in value of policy during period in force
Tax on earnings generated by assets backing life policy	30% (including realised gains on assets regardless of time held)

Fringe benefits tax (FBT year ending 31 March 2018)

Payable on:	Taxable value of certain benefits provided to an employee (or an associate) by an employer
Tax rate	47%
Gross-up rates	• 2.0802 (employer entitled to GST credit) • 1.8868 (employer not entitled to GST credit)
FBT tax year	1 April to 31 March
Exempt employer	Certain non-profit employers such as tax-exempt charities are entitled to FBT concessions
FBT exempt grossed-up taxable value threshold (per employee)	• $17,000 public hospital or ambulance service • $30,000 employees of other public benevolent institutions and health promotion charities **Note:** Certain salary packaged amounts relating to meals, entertainment and entertainment facility leasing are subject to a cap of $5,000.

Your notes

Superannuation – accumulation phase

Superannuation Guarantee (SG)

SG contribution rates	
Period	**Rates**
1/7/2014 – 30/6/2021	9.5%
1/7/2021 – 30/6/2022	10%
1/7/2022 – 30/6/2023	10.5%
1/7/2023 – 30/6/2024	11%
1/7/2024 – 30/6/2025	11.5%
1/7/2025 – 30/6/2026 and onwards	12%

Maximum contribution base	
Per quarter	$52,760

Due dates		
SG quarter	**Due date for quarterly SG**	**Due date for SG Charge if late**
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

Income attracting SG
Main inclusions

- Ordinary time earnings (OTE) component of salary and wages
- Earnings in respect of ordinary hours of work
- Commission (unless wholly attributable to overtime hours worked)
- Allowances and loadings relating to ordinary hours of work
- Bonuses (unless solely paid to recognise work performed outside ordinary hours)
- Lump sum payments of unused leave, other than on termination
- Payment in lieu of notice upon termination

Main exclusions

- Salary and wages that are not OTE
- Overtime
- Salary or wages of less than $450 paid to an employee in a month
- Salary or wages paid to an employee <18 working ≤ 30 hrs/week
- Remuneration for hours worked in excess of or outside 'ordinary hours of work' as expressed in relevant award or agreement
- Lump sum payment of unused annual leave, long service leave or sick leave on termination of employment
- Payments made while on paid parental leave and other ancillary leave
- Redundancy payments
- Salary or wages paid to non-resident employees paid for work done outside Australia
- Salary or wages paid by non-resident employer for work done outside Australia

Contribution eligibility

<table>
<tr><th colspan="4">Overview of conditions</th></tr>
<tr><th>Contribution type</th><th>Work test</th><th>Maximum age</th><th>TFN required</th></tr>
<tr><td>Mandated employer
(includes SG and employer contributions required under an agreement or award certified by an industrial authority)</td><td>No</td><td>None</td><td>No</td></tr>
<tr><td>Voluntary employer
(including salary sacrifice)</td><td rowspan="3">Yes, if aged 65+ at time of contribution.
Must have worked at least 40 hours over a consecutive 30 day period in financial year of contribution to meet test.</td><td>75[1]</td><td>No</td></tr>
<tr><td>Personal
(Includes non-concessional, personal deductible, small business CGT sale proceeds and overseas transfers)</td><td>75[1]</td><td>Yes</td></tr>
<tr><td>Spouse</td><td><70</td><td>Yes</td></tr>
</table>

[1] Must be received within 28 days of end of month in which member reaches age 75.

Concessional contributions (CC)

CC Taxation			
Tax	**Tax payable**	**Income threshold**	**Assessable**
Contributions tax	Up to 15%	All income levels[1]	In fund
Division 293 tax	Additional 15% on CCs within CC cap	• $300,000 + in 2016/17 • $250,000 + from 1/7/2017	To individual – can provide a release authority to fund to pay tax

[1] Individuals earning $37,000 or less in 2017/18 may be eligible for a low income superannuation tax offset (LISTO) which effectively refunds up to $500 in contributions tax.

More information on division 293 tax	
Income definition	Taxable income, reportable fringe benefits, total investment losses and low tax contributions
Applies to:	Contributions to both taxed and untaxed funds
If income threshold exceeded by inclusion of CCs	Only contribution amount > income threshold subject to Div 293 tax
Exempt individuals	Certain state higher level office holders and Commonwealth Justices

CC Cap	
Financial year	**Annual CC cap**
2017/18	$25,000

CCs – inclusions and exclusions

Main inclusions

- Employer contributions (including SG, voluntary and salary sacrifice)
- Personal contributions for which tax deduction is claimed
- Payments by ATO for SG shortfalls or from Superannuation Holding Account
- Contributions made by another person on behalf of a member that are assessable to fund. Excludes spouse contributions and non-employer contributions made by another person for a child < 18 (other than deductible contributions made by child via an adult guardian/representative)
- Certain distributions from reserve accounts

Main exclusions

- Contributions counted towards NCC cap (other than excess CCs)
- Rollovers from complying super arrangements (including those with untaxed element)
- Taxable amounts of overseas transfers member elects to have taxed in Australian super account

Excess CCs

Taxation of excess CCs	• Treated as assessable income and taxed at MTR • Entitled to a 15% tax offset representing contributions tax already paid by super fund
Options	Have up to 85% of excess amount refunded or retain amount in fund, where excess CCs will count towards NCC cap
Excess CC charge	• Applies to increase in individual's tax liability • Equal to shortfall interest charge rate • Calculated and compounds daily • General interest charge also applies to amounts unpaid by due date

Catch-up CCs from 1/7/2018	
Key dates	
From 1/7/2018	Carry forward unused CCs
2019/20	First year carried forward amounts can be used

Key details

- Unused amounts can be carried forward for 5 years
- Individual's total super balance on previous 30 June cannot exceed $500,000 at time catch up contribution is made
- Additional CCs will first reduce earliest accrued unused CC amount

Non-concessional contributions (NCCs)

NCCs – inclusions and exclusions

Main inclusions

- Personal after-tax contributions
- Spouse contributions (for recipient)
- Certain amounts of payments from overseas funds
- Excess CCs made in a year to extent that a member does not elect to have them refunded

Main exclusions

- Government co-contributions
- Eligible small business sale proceeds up to CGT cap
- Personal injury payments where certain conditions are met
- Rollovers/transfers between complying super arrangements
- Low Income Superannuation Tax Offset (LISTO)

NCC cap – 2017/18		
Cap	**Total Super Balance** (on 30 June of previous financial year)	**Cap amount**
Annual cap	< $1.6m	$100,000
Bring forward (triggered in 2017/18)	< $1.4m	$300,000
	$1.4m to < $1.5m	$200,000
	$1.5m to < $1.6m	$100,000
	$1.6m +	Nil
Bring forward (triggered in 2015/16 but not fully utilised by 30/6/2017)	< $1.6m	Up to $460,000 by 30 June 2018
Bring forward (triggered in 2016/17 but not fully utilised by 30/6/2017)	< $1.6m	Up to $380,000 by 30 June 2019

Key bring-forward rule requirements

- Maximum amount available under bring-forward, as well as whether person will have a three year, or a two year bring-forward period, will depend upon their total super balance (see above table)
- Once triggered (by exceeding annual NCC cap) bring forward cap not indexed
- Once triggered unused amount can be used in subsequent two years, even if aged 65 or over (subject to meeting work test for each year contribution is made) but still subject to total super balance test on previous 30 June
- Transitional rules apply if triggered in 2015/16 or 2016/17 but not fully utilised by 30/6/2017 (see above table)

Excess NCCs - options	
Election	• Can elect, by completing and returning a form to ATO, to have excess NCCs refunded with 85% of associated earnings (which is determined by a formula) • 100% of associated earnings is added to individual's assessable income and taxed at MTR with a 15% tax offset
No election	• If no election is made to have excess amount refunded, in most cases, member will receive an excess NCCs tax assessment and excess will be subject to tax at highest MTR plus Medicare levy • This tax must be paid within 21 days of ATO making assessment

SUPER – ACCUMULATION

Contributions made using CGT cap

Key details		
Concession claimed	**Lifetime cap amount** (in 2017/18)	**Source of funds that can be contributed**
15-year exemption	$1.445m (indexed)	Exempt capital gains and/or sale proceeds
Retirement exemption	$500,000 (unindexed). Reduces amount that can be subsequently claimed under 15-year exemption	Exempt capital gains only

Note: A CGT cap election must be submitted via an approved form to fund before or at time contribution is made.

Personal deductible contributions

Conditions	
Contributions made	Personal contribution
Age related conditions	• If < 18 years, must generate business or employment income • If aged 65 to 74, must have worked at least 40 hours over a consecutive 30 day period during financial year
Assessable income	Cannot claim a deduction for an amount that reduces assessable income, less other allowable deductions, to less than nil
Deduction notice	A valid 'Notice of Intent' form must be received and acknowledged by fund in required timeframe
Partial withdrawals (cash or rollover)	**Amount of contribution that can be claimed as tax deduction** = ((A - (B X A / C)) X D / A) where: **A** = Tax-free component before withdrawal **B** = Amount withdrawn **C** = Total interest before withdrawal **D** = Contribution amount **Note:** This simplified formula would only apply where a single withdrawal (lump sum or rollover) is made. Where multiple withdrawals are made, refer to examples in TR 2010/1.

Notice of intent (NOI)	
Submission deadline	NOI must be submitted by earlier of: • time member lodges tax return, or • end of financial year following financial year in which contribution was made
Variation notices	Cannot vary (ie reduce) amount they have notified fund they are claiming after expiry of above period (unless a deduction is disallowed)
When notice is invalid	• Individual no longer member of fund • Fund trustee no longer holds contribution • Contribution been used in whole or part to start pension

Other

Total super balance	
Sum of:	• amounts held in accumulation phase • amounts counted in individual's transfer balance account adjusted to reflect current value of account based income stream • in-transit rollovers (ie amounts that haven't been included in above)
Reduction	Arises if a contribution has been made under a structured settlement

Government co-contribution

Eligibility criteria

- Make personal after-tax contribution
- Receive at least 10% of assessable income from eligible employment (including income from self-employment and/or carrying on a business)
- Lodge an income tax return
- Be < age 71 at end of financial year
- Not be a temporary resident for any part of year
- Have total super balance at previous 30 June less than general transfer cap ($1.6m for 2017/18)
- NCCs made must be within person's NCC cap

Assessable income (AI)[1]	Personal contribution	Co-contribution available
$36,813 or less	Any amount	Personal contribution x 0.5 (max $500)
$36,814 – $51,812	$0 – $1,000	Lesser of: • personal contribution x 0.5, or • $500 – [0.03333 x (AI – $36,813)]
$36,814 – $51,812	$1,000 +	$500 – [0.03333 x (AI – $36,813)]
$51,813 +	Any amount	Nil

1 Assessable income (AI) plus reportable fringe benefits and reportable employer super contributions. To calculate available co-contribution only, AI is reduced by business deductions.

Spouse contribution tax offset

Eligibility criteria

- Each spouse must be Australian resident for tax purposes when contribution is made
- If contributor is entitled to an employer tax deduction for contribution, spouse tax offset does not apply
- Spouse excludes those permanently living apart
- Receiving spouse must have total super balance at previous 30 June less than general transfer cap ($1.6m for 2017/18)
- NCCs made must be within person's NCC cap

Financial year	Spouse's assessable income (AI)[1]	Max. rebatable contributions (MRC)	Max. offset 18% of lesser of:
2017/18	$37,000 or less	$3,000	MRC or actual conts (max $540)
	$37,001 – $39,999	$3,000 – (AI – $37,000)	MRC or actual conts
	$40,000 +	$0	$0

[1] Assessable income plus reportable fringe benefits and reportable employer super contributions.

Low income superannuation tax offset (LISTO)

Key details	
Description	Government contribution to superannuation for eligible individuals representing a refund of contributions tax
Max. amount	$500
Forms part of	Tax-free component

Adjusted taxable income[1]	Concessional contribution	Refund of contributions tax
$37,000 or less	Any amount	Concessional contributions x 15% (maximum $500)

1 Adjusted taxable income includes taxable income, adjusted fringe benefits, target foreign income, net investment losses, tax free pension or benefit, reportable super contributions less deductible child maintenance.

SUPER – ACCUMULATION

Contribution splitting	
Receiving spouse conditions	Spouse must be: • < 65, and • if ≥ preservation age, not retired
Splittable contributions	Concessional contributions (CCs) generally comprising • employer contributions (including salary sacrifice), and • personal deductible contributions (where a 'Notice of Intent' is required before split can be made)
Timing of splits	Application to split must be lodged: • in financial year after financial year in which contributions were made, or • in financial year of contribution if member's entire benefit rolled over or withdrawn (application must be lodged prior to rollover or withdrawal)
Maximum splittable amount	Lesser of: • 85% of member's CCs made in financial year, and • CC cap in relevant financial year
Tax and cap implications	Split amount: • treated as rollover to spouse's account • doesn't count towards receiving spouse's CC or NCC cap • comprises 100% taxable component • continues to count towards relevant cap of spouse on behalf of whom contribution was originally made

Taxation of fund income	
Accumulation phase	**Tax rate**
Assessable contributions	Up to 15%
No-TFN contributions	32% (applies to contributions made from 1/7/2017) 15% contributions tax also payable
Earnings and non-discount capital gains	Up to 15%
Discount capital gains (if applicable)	Up to 10%
Pension phase	**Tax rate**
Income attributable to retirement phase	Tax exempt
Transition to retirement pensions[1]	Up to 15%

[1] Applies while pension is a Transition to Retirement (TTR) pension. A TTR pension will enter retirement phase automatically when a member reaches age 65, or at time trustee is notified that member has retired, is terminally ill, or is permanently incapacitated.

Taxation of fund income (continued)

Other key facts	
Assessable contributions	• Any contributions made for a member by another person or entity with some exceptions, main ones being: – spouse contributions – Government co-contributions, and – 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	• Mandated and voluntary employer contributions where member fails to quote their TFN by end of financial year in which contributions are made • Employers are required to pass on an employee's TFN within 14 days when an employee provides them with a TFN declaration • Fund will not be able to offset no-TFN tax liability except to effectively claim a refund when member quotes their TFN within three years from year in which no-TFN tax was applied to contributions

Your notes

Superannuation – access and taxation of benefits

Conditions of release

Summary of conditions of release	
Reaching preservation age	
Rules	Member needs to: 1. reach preservation age, and 2. start a transition to retirement pension
Cashing restrictions	Maximum income each year is 10% of account balance Conditions apply until condition of release with nil cashing restrictions is met
Retiring after preservation age	
Rules	Member needs to: 1. cease gainful employment, and 2. satisfy fund trustee they never intend to be gainfully employed again on a part or full-time basis
Cashing restrictions	Nil – can be paid as a lump sum or pension
Termination of employment after age 60	
Rules	Arrangement under which person was gainfully employed has come to an end after turning 60
Cashing restrictions	Nil, for benefits accrued to time of termination New contributions or growth on balance will be preserved until another condition of release is met
Attaining age 65	
Rules	Working arrangements are irrelevant
Cashing restrictions	Nil – can be paid as a lump sum or pension

Summary of conditions of release (continued)	
Temporary incapacity	
Rules	Member needs to satisfy fund trustee that ill-health (physical or mental) caused them to cease to be gainfully employed, but does not constitute 'permanent incapacity' (see below)
Cashing restrictions	Payments must be made from a non-commutable income stream paid from a regulated super fund for: 1. purpose of continuing (in whole or part) gain or reward which member was receiving before temporary incapacity, and 2. a period not exceeding period of incapacity from employment of kind engaged in immediately before temporary incapacity
Permanent incapacity	
Rules	Member needs to satisfy fund trustee they are unlikely, because of ill-health (physical or mental), to engage in gainful employment for which they are reasonably qualified by education, training or experience
Cashing restrictions	Nil – can be paid as a lump sum or pension
Balance < $200	
Rules	Can be withdrawn if member is leaving employer who was contributing to fund or is lost member who has been found
Cashing restrictions	Nil – paid as a lump sum only

Summary of conditions of release (continued)	
Financial hardship (where income support has been received for a total of 39 weeks after reaching preservation age)	
Rules	Member needs to prove to fund trustee they: 1. are not gainfully employed on date of application (ie they are not working more than 10 hours a week at time of request), and 2. have received relevant Commonwealth income support payments for a total of 39 weeks after reaching preservation age, from Centrelink, DVA or a Commonwealth Community Development Employment Program organisation
Cashing restrictions	Nil cashing restrictions
Financial hardship (where above conditions are not met)	
Rules	Member needs to prove to fund trustee they: 1. are unable to meet reasonable and immediate family living expenses, and 2. have received relevant Commonwealth income support payments for previous 26 weeks from Centrelink, DVA or a Commonwealth Community Development Employment Program organisation
Cashing restrictions	A single lump sum not less than $1,000 (except if person's preserved and restricted non-preserved benefits are < $1,000) and not > $10,000, per 12 month period (beginning on date of first payment)

Summary of conditions of release (continued)	
Compassionate grounds	
Rules	Member must apply to Dept. of Human Services (DHS) for payment and satisfy release based on specific grounds
Cashing restrictions	A single lump sum, not exceeding an amount determined by DHS
Terminal medical condition	
Rules	Member needs to have certification from two registered medical practitioners (one of them a specialist), that they suffer from an illness or injury which is likely to result in their death within 24 months
Cashing restrictions	Nil – benefit can be withdrawn as lump sum or used to start pension in same fund. If rolled over to another fund, amount will be considered NCC and be preserved.
Death	
Rules	Proof must be provided to fund trustee
Cashing restrictions	Nil – can be paid as a lump sum or pension to certain eligible dependents or estate
Departing Australian Superannuation Payment	
Rules	Certain people who have been in Australia on a temporary resident visa
Cashing restrictions	Nil – paid as a single lump sum only

Preservation ages

Summary of preservation ages	
Date of birth	**Preservation age**
Before 1/7/1960	55
1/7/1960 – 30/6/1961	56
1/7/1961 – 30/6/1962	57
1/7/1962 – 30/6/1963	58
1/7/1963 – 30/6/1964	59
From 1/7/1964	60

Proportional drawdown

Summary of rules	
Benefit accessed during:	**Taxable and Tax free components withdrawn in same proportion as:**
Accumulation phase (as lump sum)	Components that made up total interest immediately before withdrawal
Pension phase (as income payment or lump sum commutation)	Components that made up total pension interest at time pension was started

Taxation of lump sum member benefits

Summary of tax payable		
Component	**Age**	**Maximum tax rate**
Tax Free	Any	Tax-free
Taxable (taxed element)	< Preservation age	20%[1]
	Preservation age to 59	Up to low rate cap – 0% Above low rate cap – 15%[1]
	Age 60+	Tax free
Taxable (untaxed element)	< Preservation age	Up to untaxed plan cap – 30%[1] Above untaxed plan cap – 45%[1]
	Preservation age to 59	Up to low rate cap – 15%[1] Between low rate cap and untaxed plan cap – 30%[1] Above untaxed plan cap – 45%[1]
	Aged 60+	Up to untaxed plan cap – 15%[1] Above untaxed plan cap – 45%[1]
Low rate cap		
Cap in 2017/18	$200,000	
Applies to:	• Total of all taxable components taken as a lump sum from preservation age up to age 59 • If a benefit includes both taxed and untaxed elements, it applies firstly to taxed element	
Completing tax return	Taxable benefits within low rate cap are still included in assessable income in individual's tax return, which may impact entitlement to Government and tax benefits and concessions that are based on assessable income	
Untaxed plan cap		
Cap in 2017/18	$1,445,000	

[1] Plus Medicare levy

Calculating tax components of disability benefit paid as lump sum	
Step	**How determined**
1. Determine amount relating to future service period	$= \text{Amount of benefit} \times \dfrac{\text{Days to retirement}}{\text{Service days + Days to retirement}}$ Where: • **Amount of benefit** is TPD benefit paid from super fund (including any insurance benefit and investment balance) • **Days to retirement** are number of days from when person stopped being capable of being gainfully employed until last retirement day • **Last retirement day** is day when 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 is day person would have reached age 65) • **Service days** are number of days from start of eligible service period until disability benefit is paid
2. Calculate Tax free component	Add amount derived in Step 1 to any Tax free component in super account
3. Calculate Taxable component	= Amount of benefit – Tax free component (derived at Step 2)
4. Calculate tax payable	If lump sum, taxed as ordinary member benefit If income stream, see following page

Taxation of superannuation income streams

Account based income streams

Component	Age	Maximum tax rate
Tax Free	Any	Tax-free
Taxable (taxed element)	< Preservation age	Taxed at MTR[1]
	Preservation age to 59 or paid due to permanent disability	Taxed at MTR[1] less 15% tax offset
	Age 60+	Tax free

[1] Plus Medicare levy

Capped defined benefit income streams

Component	Age	Amount below DB income cap[2]	Amount above DB income cap[2,3]
Taxed	< Preservation age	Taxed at MTR[4]	Taxed at MTR[4]
	Preservation age to 59	Taxed at MTR[4] less 15% tax offset	Taxed at MTR[4] less 15% tax offset
	Age 60+	Tax free	50% of amount above cap taxed at MTR[4]
Untaxed	< Preservation age	Taxed at MTR[4]	Taxed at MTR[4]
	Preservation age to 59	Taxed at MTR[4]	Taxed at MTR[4]
	Age 60+	Taxed at MTR[4] less 10% tax offset	Taxed at MTR[4]

[2] See 'Transfer Balance Cap' in 'Superannuation – pension phase' section.
[3] Cap applies first to tax-free component, followed by taxed, and then untaxed.
[4] Plus Medicare levy

Note: For death benefit pension paid from a capped defined benefit income stream, see 'Taxation of death benefit income streams'.

SUPER–ACCESS AND TAX

Death benefits payment options

Summary of options available for different beneficiaries				
Beneficiary	**On death, which beneficiaries are eligible to receive:**			
	Lump sum[1] (SIS dependant)	**Tax-free lump sum** (Tax dependant)	**Anti-detriment payment**[2]	**Pension**
Spouse	Yes	Yes	Yes	Yes
Child:				
• < 18	Yes	Yes	Yes	Yes
• 18-25 & financially dependent	Yes	Yes	Yes	Yes
• 18-25 & not dependent	Yes	No	Yes	No
• > 25 (unless disabled[3])	Yes	No	Yes	No
Financial dependant (see above for children)	Yes	Yes	No	Yes
Interdependant (see above for children)	Yes	Yes	No	Yes

1 Lump sum payment can also be made to estate and tax treatment generally depends on whether it's received by dependant (or non-dependant) for tax purposes.

2 Anti-detriment payment can also be made to estate, provided ultimate beneficiaries would have been eligible to receive anti-detriment amount if death benefit had been paid directly to them. Anti-detriment payments were abolished from 1/7/2017 in respect of deaths that occur on or after this date. May still be payable up to 1 July 2019 for deaths that occur before 1/7/2017.

3 Disability, for this purpose, is defined in s8(1) of *Disability Services Act*.

Taxation of lump sum death benefits

Summary of tax payable		
Beneficiary	**Components**	**Maximum tax rate**
Tax dependant (spouse, former spouse, child < 18 or 18-25 and dependant, financial dependant and interdependent)	Tax free and Taxable	Tax-free
Non-tax dependant	Tax free	Tax-free
	Taxable (taxed element)	15%[1]
	Taxable (untaxed element[2])	30%[1]

1 Plus Medicare levy, unless paid to deceased's estate.
2 Broadly, an untaxed element arises where lump sum death benefit includes a life insurance component and fund has claimed a tax deduction for insurance premiums.

Taxation of death benefit income streams

Account based pensions		
Age of deceased/ recipient[1]	**Component[2]**	**Tax treatment**
Either aged 60 or over	Tax Free	Tax-free
	Taxable (taxed element)	Tax-free
Both under age 60	Tax Free	Tax-free
	Taxable (taxed element)	MTR, less 15% offset[3,4]

1 This tax treatment also applies to child superannuation income streams paid due to death. Income stream payments are taxed at adult marginal tax rates (if applicable).
2 Proportional drawdown rules apply.
3 Plus Medicare levy.
4 Income will be tax-free once recipient reaches age 60.

Capped defined benefit income streams			
Component	**Age of beneficiary and deceased**	**Amount below DB income cap[5]**	**Amount above DB income cap[5,6]**
Taxed	Both < preservation age	Taxed at MTR[7]	Taxed at MTR[7]
	Both preservation age to 59	Taxed at MTR[7] less 15% tax offset	Taxed at MTR[7], less 15% tax offset
	Either member OR deceased 60+	Tax free	50% of amount above cap at MTR[7]
Untaxed	Both < preservation age	Taxed at MTR[7]	Taxed at MTR[7]
	Both preservation age to 59	Taxed at MTR[7]	
	Either member OR deceased 60+	Taxed at MTR[7] less 10% tax offset	

5 See 'Transfer Balance Cap' in 'Superannuation – pension phase' section.
6 Includes all amounts, without any reduction in respect of a tax-free component.
7 Plus Medicare levy.

Commutation of death benefit income streams

- Partial or full lump sum commutations from death benefit income streams will always result in a death benefit lump sum, which is received tax-free
- How long pension has been in payment is no longer relevant, as 'prescribed period' provisions were abolished with effect from 1/7/2017
- A commutation from a death benefit pension can also be rolled over to a different fund to commence a new death benefit pension (cannot be retained in accumulation phase) at any time (subject to whether rules of fund allow fund to accept death benefit rollovers)

Death benefit income streams payable to children

Must cease	When child reaches 25, unless disabled
Definition of disabled	• A person with a disability that is attributable to an intellectual, psychiatric, sensory or physical impairment or a combination of such impairments • Disability must be permanent or likely to be permanent and result in a substantially reduced capacity of person for communication, learning or mobility and need for ongoing support services
Commutations	Commutations are received tax-free

Departing australia superannuation payment

Summary of tax payable	
Component	**Tax rate**
Tax Free	Tax exempt
Taxable (taxed element)	35%[1]
Taxable (untaxed element)	45%[1]

[1] Tax rate will be 65% on entire taxable component where payment includes contributions made while person was a working holiday maker. This includes people on 417 (working holiday) and 462 (work and holiday) visa.

Notes

- Withholding tax rates apply regardless of whether member has supplied an Australian TFN.
- 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 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 ATO as a DASP.

Superannuation – pension phase

Transfer balance cap

Key details	
General transfer balance cap (TBC) 2017/18	$1.6m
Indexation of general cap	• Indexed to CPI • Increased in increments of $100,000 (rounded down)
Proportional indexation of personal cap	Proportioning applies if person has commenced a retirement phase income stream but has not fully utilised cap **Increase** = Unused cap % x indexation increase ($)
Applies to	Cumulative balance of all retirement phase products, including: • super account based pensions • super death benefit pensions • deferred income streams (if a full condition of release met) • defined benefit income streams, and • term allocated pensions
Excluded	Transition to Retirement (TTR) pensions and ordinary money annuities. A TTR pension will enter retirement phase automatically when a member reaches age 65, or at time trustee is notified that member has retired, is terminally ill, or is permanently incapacitated

Transfer balance account (TBA)	
General rules	• TBA commences on first day that amounts are transferred to retirement phase or on 1/7/2017 for existing retirement phase income streams • Individual's TBC equals general TBC on first day they commence to have a TBA, plus any proportional indexation applicable • TBA continues even if person ceases to be an income stream recipient • Credits and debits arise for certain transactions – see below • No impact on TBA for general market movements and income payments
Credits	• Value of income stream at commencement (or on 30/6/2017 if existing income stream) • New amounts subsequently transferred to retirement phase • Value of a TTR pension at time it enters retirement phase
Debits	• Commutations received by a member • Commutations back to accumulation • Contributions made under structured settlement • Fraud or bankruptcy • Family Law split

Excess transfer balance	
Arises if:	Transfer balance account exceeds individual's personal cap
Options for excess	Excess transfer amount plus deemed earnings on excess must be commuted to accumulation phase or withdrawn
Tax payable on:	Excess transfer balance tax payable on notional earnings calculated as follows: **Notional earnings** = $\frac{\text{90 day bank accepted bill yield + 7\%}}{\text{Number of days in year}}$

Excess tax on notional earnings	
Financial year	**Tax payable**
2017/18	15% for all breaches
2018/19	
• First breach	• 15%
• Second and subsequent breach	• 30%

Death benefit income streams	
General rules	Unless a reversionary nomination is in place (see below), a death benefit income stream will be a credit to beneficiary's TBA at time of commencement
Modifications for child death benefit income streams	• Children of deceased will have 'cap increment' calculated to determine maximum amount they can use to commence death benefit pension • Existing child death benefit pensions at 30/6/2017 have a cap increment of $1.6m • Cap increment determined based on: – % share of death benefit – whether accumulation or pension at death – whether deceased had an excess transfer balance amount
Modifications for reversionary death benefit income streams	• Value of death benefit income stream at time of death credited to reversionary beneficiary's TBA 12 months from date of death • Must be a strict reversionary nomination, not simply a voluntary election to receive a death benefit income stream

Modifications for capped defined benefit income streams	
DB income cap 2017/18	$100,000 (General Balance Transfer Cap ÷ 16)
Credit value	Determined by 'special value' (SV) **Lifetime income streams** **SV** = annual entitlement amount x 16 **Other capped DB income streams (eg TAPs)** **SV** = annual entitlement amount x remaining term (rounded up) Where: **Annual entitlement** = 365 x $\frac{\text{First payment}}{\text{Payment period}}$
Reduction in available DB income cap	• DB income not concessionally taxed (generally income received when aged < 60 at time of payment) • Proportionally reduced where concessionally taxed income first received part way through a year
Income that counts towards individual's DB income cap	Concessionally taxed DB income

Minimum pension payment factors

For account based and transition to retirement pensions	
Age at start of pension and 1 July each year	**Minimum amount**
Under 65	4%
65 – 74	5%
75 – 79	6%
80 – 84	7%
85 – 89	9%
90 – 94	11%
95+	14%

Note: A minimum annual payment does not need to be made where an account based income stream is commenced from 1 June to 30 June. A pro-rata minimum payment is required if it is commenced before 1 June.

Transition to retirement pensions

Key rules and facts	
Minimum payment	4% of account balance at commencement and at 1 July each year
Maximum payment	• 10% of account balance at start of pension and on 1 July each year • Does not need to be pro-rated • Only applies until a condition of release is met with a nil cashing restriction
Lump sum commutations allowed	• From any unrestricted non-preserved amount • To give effect to a Family Law split • Upon meeting a condition of release with a nil cashing restriction • To give effect to a release authority for excess contributions tax
Rolled back to accumulation interest	Can be done at any time
Taxation of earnings	Fund income taxed as accumulation phase income (as TTR is not retirement phase income stream – see below)
TTR and transfer balance cap	• A TTR pension will enter retirement phase automatically when a member reaches age 65, or at time trustee is notified that member has retired, is terminally ill, or is permanently incapacitated • Value of income stream at time it enters retirement phase will reflect as a credit to member's transfer balance account

Term allocated pensions (TAPs)

Income payments	
Income payment calculated	At commencement and 1 July each year by dividing account balance by TAP payment factor
Pro-rated income	Income is pro-rated during first year and on commutation
Income variability	Calculated annual income amount can be varied between plus or minus 10%
Minimum pension payment factors	Commutation funded TAPs started after 19/09/2007 must also meet account based pension minimum pension payment factors
Replacement TAPs	If a replacement TAP commences between 1 June and 30 June, first income payment does not have to be made until following financial year
Partial commutations	Annual income is not recalculated on partial commutation but is recalculated at each 1 July
Remaining account balance	Any account balance remaining at end of term must be paid out as income within 28 days

TAP PAYMENT FACTORS (PF)					
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

Life expectancy factors

From Australian life tables 2010-2012 (to be used from 1 January 2015)					
Age	**Male**	**Female**	**Age**	**Male**	**Female**
50	32.20	35.67	76	11.05	13.08
51	31.29	34.74	77	10.41	12.33
52	30.38	33.80	78	9.78	11.61
53	29.49	32.87	79	9.18	10.90
54	28.59	31.95	80	8.60	10.21
55	27.71	31.02	81	8.04	9.55
56	26.83	30.10	82	7.51	8.90
57	25.95	29.19	83	7.00	8.29
58	25.09	28.28	84	6.52	7.70
59	24.22	27.37	85	6.06	7.14
60	23.37	26.47	86	5.64	6.61
61	22.52	25.57	87	5.24	6.11
62	21.68	24.68	88	4.87	5.65
63	20.85	23.80	89	4.52	5.22
64	20.03	22.92	90	4.21	4.82
65	19.22	22.05	91	3.92	4.45
66	18.41	21.18	92	3.66	4.12
67	17.62	20.33	93	3.44	3.82
68	16.84	19.48	94	3.24	3.55
69	16.07	18.64	95	3.06	3.32
70	15.31	17.80	96	2.91	3.11
71	14.56	16.98	97	2.78	2.93
72	13.83	16.18	98	2.67	2.77
73	13.11	15.38	99	2.57	2.62
74	12.40	14.60	100	2.46	2.50
75	11.72	13.83			

YOUR NOTES

Social security

Qualifying ages

Age pension	
Date of birth	**Qualifying age**
Prior to 1/1/1949	Already qualified
1/1/1949 – 30/6/1952	65
1/7/1952 – 31/12/1953	65.5
1/1/1954 – 30/6/1955	66
1/7/1955 – 31/12/1956	66.5
1/1/1957 onwards	67

DVA age service pension	
Date of birth	**Qualifying age**
Prior to 1/1/1954	Already qualified
From 1/1/1954	60

Pensions and allowances

Pensions

Pension payable

Pension payable = maximum pension – pension reduction (see below)

Pension reduction

Income test	Assets test
Income above threshold x 0.5 (where income is single or couple combined after allowing for Work Bonus)	(Assets above reduction threshold / 1,000) x $3.00 per fortnight

Pension rates and thresholds

- Pension rates and thresholds are indexed during year, with key dates being 20 March and 20 September
- Latest rates and thresholds can be found in our 'Centrelink Fact Sheet' on Social Security page in Technical section of Adviser Online at **mlc.com.au**

Assessment of pensioner couples

Scenario	Pension benefit
Pensioner couple	Determined by applying pension income and assets tests using combined income and assets, and calculating combined reduction against couple thresholds
One member of a couple on a pension	Determined by applying pension income and assets tests using combined income and assets, calculating combined reduction and halving resulting combined couple rate
Illness separated couple	• Determined by applying pension income and assets tests using combined income and assets, calculating combined reduction and halving reduction to determine per person reduction • Reduction taken from full single rate of pension (each)

Allowances

Allowance payable

Allowance payable = maximum allowance – allowance reduction (see below)

Rules apply to

Newstart, Partner, Sickness and Widow Allowances

Allowance reduction

Income test[1]		Assets test
First $104 pf	Nil	No reduction[2]
$104 – $254 pf	0.5	
Above $254 pf	0.6	

Assessment of allowee couples

Scenario	Allowance benefit
Allowee couple	Determined by assessing combined assets against couple assets test limit and half combined income against income test thresholds
Allowee couple (whether both on benefits or not)	• Determined by assessing combined assets against couple assets test limit • For 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

1 Income thresholds are current as at 1/7/2017. 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.

2 To qualify, assets must be below lower threshold for assets test.

Waiting periods

Ordinary waiting period		
Key details	7 days Will not apply in some instances, such as when reclaiming within 13 weeks of last receiving benefit or allowance, or in severe financial hardship	
Applies to	• Newstart Allowance • Sickness Allowance	• Youth Allowance • Parenting Payment

Income maintenance period (IMP)[1]		
Key details	No maximum limit Period of time in which a person who has received termination or leave payment has that payment treated as ordinary income If employment has ceased, IMP equals: • number of weeks that leave payment represents, and • number of weeks that portion of termination payment not based on gross wage (eg a gratuity payment) represents If employment is continuing, IMP equals actual leave period	
Applies to	• Newstart Allowance • Partner Allowance • Widow Allowance • Sickness Allowance	• Youth Allowance • Austudy • Disability Support Pension • Parenting Payment

1 Income Maintenance Period and Liquid Assets Waiting Period are served concurrently.

Liquid assets waiting period (LAWP)[1]		
Key details	Up to 13 weeks, based on following formula: Liquid assets[2] – maximum reserve amount $500 (single) or $1,000 (family) where maximum reserve amount is: • $5,500 for single with no dependent children, and • $11,000 for a member of a couple and/or has a dependent child (family)	
	If result from formula is:	**LAWP is:**
	13 + whole weeks	13 weeks
	< 13 whole weeks	whole number of weeks rounded down to nearest whole week
	< one week	not served at all
Applies to	• Newstart Allowance • Youth Allowance	• Austudy • Sickness Allowance

1 LAWP and IMP are served concurrently
2 Includes cash, shares, managed funds and employment termination payments

Social security assessment of different assets

Superannuation – accumulation phase	
General assessment	• If < age pension age, exempt from income and assets tests • If age pension age and older, counted as asset and subject to deeming under income test
Lump sum withdrawals	Not assessed as income, however, amount withdrawn may become assessable if invested
Contributions	Reportable super contributions (eg salary sacrifice and personal deductible contributions) are included in income test

ANNUITIES[1] AND GRANDFATHERED ACCOUNT BASED PENSIONS		
Pension type	**Income test**	**Asset tested amount**
Asset-tested (term 5 years or less)	Subject to deeming	= PP–[((PP–RCV)/RN) xYE]
Asset-tested (term > five years including account based pensions)	Annual income less deduction amount where **DA** = (PP – commutations – RCV) /RN	= Account balance or PP–[((PP–RCV)/RN) xYE]
Asset-test exempt (complying income streams)[2]	Annual income less deduction amount (as above)	**Commenced before 20/9/2004:** 100% exempt **Commenced between 20/9/2004 and 19/9/2007:**[3] = 50% x Account balance or = 50% x (PP–(PP x YE/RN))

Reduced deduction amount (DA)

Applies upon partial commutation of a grandfathered income stream based on following formula:

$$\textbf{Revised DA} = \frac{\text{PP–RCV–commutations}}{\text{Original RN}}$$

PP = Purchase Price

RCV = Residual Capital Value

RN = Relevant Number (term or life expectancy)

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

1 This also includes non-account based pensions, term allocated pensions and complying income streams.

2 An assets test exemption (ATE) does not apply to new income streams purchased from 20 September 2007, although commutation funded complying income streams can be purchased and may retain their ATE in certain circumstances.

3 If these income streams are commuted and rolled to a new complying income stream, 50% ATE will be retained if commutation was due to certain circumstances.

Non-grandfathered income streams	
Income test	**Asset tested amount**
Subject to deeming[1]	Account balance

[1] Deeming applies to account based pensions commenced from 1/1/2015, or an account based pension commenced prior to that date if a person has not been in continuous receipt of an income support payment from 1/1/2015.

Other assets		
Asset type	**Income test**	**Asset tested amount**
Conventional life policies (eg whole of life and endowment policies)	• Only assessed when policy is surrendered or matured • Bonuses received are treated as income for following 12 months	Surrender value of policy
Private trusts and companies	Value of income and assets of trust or company are included in assessment for any social security income support payments, if attributed to that person as a controller or source of assets	
Gifting	• Singles and couples (combined) can gift up to $10,000 in any given financial year • If level of gifting exceeds $10,000 in a financial year or $30,000 over a five year rolling period, excess amount will be subject to deprivation rules • Deprivation rules apply to assets that are disposed of without adequate consideration in period of five years before commencing social security benefits (above relevant gifting limits), as well as excess amounts gifted in a particular year • Deprived amount is counted as an asset under assets test and is subject to deeming under income test for a period of five years from date of disposal/gifting • Gifting of a source of income (without adequate consideration) is treated as an ongoing disposal	

WORK BONUS	
Available to:	People eligible for age pension who earn employment income
General rule	First $250 of fortnightly employment income is excluded from income test
Earn < $250 pf	Unused Work Bonus is credited to an 'income bank' up to a maximum of $6,500 (which will take up to 26 fortnights to accumulate)
Role of income bank	Accumulates unused credits that can be used to offset future employment income exceeding $250 pf
Employment income	• Income from remunerative work undertaken by person as an employee in an employer/employee relationship • Includes but is not limited to salary, wages, commissions and employment related fringe benefits • Does not include income from self-employment or business income

Commonwealth Seniors Health Card	
Available to	People of Age Pension age who don't qualify for income support (eg self-funded retirees)
Eligibility	Not assets tested, although an annual income limit[1] does apply based on adjusted taxable income[2]
Adjusted taxable income (ATI)	Includes: • taxable income • target foreign income • total net investment losses • employer provided benefits • reportable superannuation contributions, and • from 1/1/2015, deemed income from individual's account based income streams (which do not qualify for grandfathering[3]) If cardholders partner <60 and has an income stream, account based pension of younger spouse is not subject to deeming, as income payments are already captured in ATI definition Superannuation benefits held in accumulation do not generate ATI for individual

1 Individuals in receipt of Age Pension who lost their entitlement on 1/1/2017 as a result of changes to assets test, were automatically issued with Commonwealth Seniors Health Card without having to meet income test at that time or in future. From 9 October 2017, these individuals will be reissued with Pensioner Concession Card but will maintain Commonwealth Seniors Health Card. Different rules apply for individuals outside of Australia on 1/1/2017.

2 Income thresholds are indexed on 20 September each year.

3 Grandfathering applies to an income stream that was commenced prior to 1/1/2015 if eligible for card immediately prior to that date (and has been continuously entitled).

Aged care

AGED CARE

Residential aged care

Basics	
Rates and thresholds	Rates and thresholds are indexed quarterly Latest rates and thresholds can be found in our 'Aged care fees and charges' Fact Sheets on Aged Care page in Technical section of Adviser Online at **mlc.com.au**
Pre 1/7/2014 residents	Fee arrangements for people who entered care prior to 1/7/2014 will generally continue according to pre 1/7/2014 rules
Pre 1/7/2014 resident leaves care or 28 days +	A person who first entered care before 1/7/2014 and ceases to be in care for a period of 28 or more continuous days (other than because they are on leave) will fall under current fee regime if they re-enter care
Pre 1/7/2014 resident option to 'opt-in' to current fee system	If a person who first entered care before 1/7/2014 changes facilities but does not cease to be provided with care for 28 continuous days or more (excluding leave), they have option to 'opt-in' to new rules if desired[1]
Leave	Leave includes: • days person attends hospital for purpose of receiving treatment, and • full days a person is absent from care for other purposes, for up to 52 days per financial year

1 *Aged Care Act 1997*, Schedule 1 (see definition of a 'continuing residential care recipient').

Moving into residential care	
Steps	**Overview**
1. Have care needs assessed	• To be eligible for Government subsidies, a person must be assessed by Aged Care Assessment Team (ACAT) • Assessment may identify eligibility for a Home Care Package, Respite Care and/or Permanent Residential Care
2. Find an aged care home	• ACAT may provide list of local facilities • Contact 'MyAgedCare' on 1800 200 422 • List of available beds and costs can be found at **myagedcare.gov.au**
3. Work out costs	A number of fees may be payable, including: • Basic Daily Fee • Means-tested Fee • Extra Services Fee, and • Accommodation Payment A person cannot be required to pay fees before entry to care A person also cannot be forced to make an election as to how accommodation payment will be paid before entry to care
4. Apply for place	• Generally, multiple applications can be submitted to appropriate facilities • There may be ability to be put on a 'waiting list'
5. Move in	Notify Centrelink/DVA that person has moved into aged care, as well as any other change in circumstances (eg sale of home, assets used to pay lump sum costs)

Aged care fees

Accommodation payment

Covers cost of provision of accommodation

Resident category	Determined by	Accommodation payment
Self-funded	If MTA ≥ Maximum Government Accommodation Supplement at entry	• Refundable Accommodation Deposit (RAD) , or • Daily Accommodation Payment (DAP), or • any combination of RAD/DAP **DAP** = (Unpaid RAD x MPIR[1]) ÷ 365
Partially supported[2]	If MTA < Maximum Government Accommodation Supplement but > 0	• Daily Accommodation Contribution (DAC) = MTA, or • Refundable Accommodation Contribution (RAC), or • any combination of DAC/RAC **RAC** = (DAC x 365) ÷ MPIR[1]
Fully supported[2]	If MTA = 0	• Government covers accommodation payment • Basic Daily Fee generally still payable

1 Maximum Permissible Interest Rate (MPIR) = General Interest Charge + 3%. Indexed quarterly. MPIR at entry is used to calculate a person's accommodation cost.

2 Partial or full support is based upon an MTA < Maximum Government Supplement at time of entry. If upon reassessment of MTA (generally completed at least quarterly), MTA = >0, DAC = MTA (capped at prevailing Maximum Government Supplement).

Other key accommodation payment facts	
RAD rate for each room	• Must be published on facility's website and generally on **myagedcare.gov.au** • Must be included in Accommodation Agreement provided to resident • Maximum RAD without specific approval from Pricing Commissioner is currently $550,000
Unpaid lump sums	Any unpaid RAD/RAC needs to be made up by paying or accruing liability for shortfall as a DAP/DAC
Refunds	RAD/RAC is generally fully refundable less any fees and charges elected to have deducted from lump sum
Drawing fees from lump sum paid	• Facility must agree to deduct any DAP/DAC from RAD/RAC • Facility may agree (but not required) to deduct any other fee (eg Basic Daily Fee or Extra Services Fee) from lump sum paid • If fees deducted, may need to 'maintain' (top up) lump sum, or pay larger daily payment
Minimum level of assets	A resident must be left with a minimum level of assets after payment of initial lump sum accommodation payment

Basic daily fee

- Contribution to daily cost of care
- Fee is equal to 85% of full basic single rate of Age Pension (less supplements) regardless of actual pension entitlement
- Generally payable by all residents
- Indexed on 20 March and 20 September annually

Means-tested fee

- Additional contribution that may be required based on income and assets of resident and partner
- If member of a couple, 50% of combined income and assets are assessed
- Assessed at entry by Centrelink/DVA and reassessed periodically
- Annual and lifetime MTF caps apply
- Generally, assessable income and assets are determined by applying social security assessment rules, with some exceptions

Means-tested Amount (MTA)

= Income tested amount + assets tested amount

Income tested amount

= (Total income – allowable income threshold) x 50% ÷ 364

Assets tested amount

= (17.5% of assessable assets between asset free area and first threshold
+ 1% of assessable assets between first threshold and second threshold
+ 2% of assessable assets above second threshold) ÷ 364

Means-tested Fee (MTF)

= MTA – Maximum Government Supplement

If MTF = 0, Government will cover this cost for resident

Extra services fee

- Set by facility, but must be approved by Government
- Services may include higher quality of meals, individual rooms and entertainment
- Generally optional, unless bed/facility is specifically an extra services bed/facility

Assessment of family home

Summary of aged care and social security assessment				
If family home is:	**Social security**		**Aged care**	
	Assets Test	**Income test**	**Assets Test**	**Income Test**
Occupied by spouse	Not assessed while occupied by spouse	n/a	Exempt while occupied by spouse or 'protected person'[1]	n/a
Occupied by protected person other than spouse (no rent received)	Full value assessed after two years from date of entry **Note:** Person will be considered a homeowner during this time. At end of two years, person will be a non-homeowner[2]			
Vacant			Capped value of home included when calculating MTA	
Renting home and not paying accommodation payment as DAP or Paying DAP and entered from 1/1/2017		Net rent assessed		Net rent is assessed
Entry to care before 1/1/2017, renting home and paying at least part of accommodation payment as DAP[3]	Asset value and rental income exempt Resident assessed as homeowner			**If entered care before 1/1/2016:** Net rent is exempt[4] **Entry to care on or after 1/1/2016:** Net rent is assessable

1 Exemption may cease to apply in event that a person is no longer a 'protected person' by definition, or if spouse/protected person vacates home.

2 If home is sold during exemption period, proceeds will be immediately assessable and person will be a non-homeowner.

3 Resident must have first entered care prior to 1/1/2017, and must not have left a care situation for a period of 28 consecutive days if re-entry has occurred on or after 1/1/2017.

4 Resident must have first entered care prior to 1/1/2016, and must not have left a care situation for a period of 28 consecutive days if re-entry has occurred on or after 1/1/2016.

Assessment of other assets and income

Assessment of assets and income for aged care fee purposes is determined based on social security rules, subject to some exceptions.

Summary of assessment of assets and income		
Asset / income	**Social Security**	**Aged Care Means-tested Fee**
Lump sum accommodation Payment (RAD/RAC)	Exempt asset	Assessable asset and not subject to deeming
Social security payments	n/a	Assessed as income[1] less Minimum Pension Supplement and Energy Supplement

[1] Some DVA Disability Pensions and War Widows Pension with qualifying service are exempt as income for this purpose.

Other

Other social security implications	
Rate of pension	'Illness separated' rate applies
Rent assistance (RA)	• RA is cancelled • If a spouse or partner remains in rented home, he/she could still be eligible for RA
Assets test thresholds	Illness separated couples can hold higher level of assets before pension entitlement cuts out

Tax implications	
Former home	• If home is immediately sold, generally a full CGT exemption on sale of home • After vacating home, if retained and not rented, it may be treated as main residence for an unlimited period[1] • If home is rented, it may be treated as main residence for up to six years after moving out (under absence rule)[1] • If home is rented and sold outside six-year period, there may be CGT implications
Aged care costs that qualify for Net Medical Tax Offset	• Basic Daily Fee • Means-tested Fee • Extra Service Fee • Daily Accommodation Payment (DAP) • Amounts drawn from RAD as a DAP

[1] Provided you do not treat another property as your main residence.

Your notes

Insurance

INSURANCE

Life Insurance

General tax implications	
Scenario	**What 'up-front' tax concessions are available**
Owned by individual on own life, premiums paid by individual for personal protection	None
Owned by individual on own life, premiums paid by employer	Employer may 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	Company, trustee of a trust, partnership or sole trader may claim premiums as tax deduction, provided an accident or 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 policy on member's life	Fund trustee can generally claim a tax deduction At member level, in relation to making extra contributions into super to fund insurance premiums: • eligible people may claim personal super contributions as a tax deduction • employees may make pre-tax (salary sacrifice) super contributions • certain members may be eligible for Government co-contributions **Note:** Super contributions will count towards members' concessional or non-concessional contribution cap.[3]

1 FBT should be payable on taxable value of 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.

General tax implications (continued)	
Are benefits assessable for tax purposes?	**Are benefits subject to CGT?**
No if benefit is paid as result of death or terminal illness (accidental injury benefit treated as TPD)	No, unless recipient not original owner and acquired policy 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 an accident or term insurance policy is used	No (as above)
No (IT 155)	No (as above)
At member level, tax treatment when death benefit is paid as a lump sum or income stream is outlined in 'Super – access and taxation of benefits' section	No

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

INSURANCE

Total and permanent disability insurance

General tax implications	
Scenario	**What 'up-front' tax concessions are available**
Owned by individual on own life, premiums paid by individual for personal protection	None
Owned by individual on own life, premiums paid by employer	Employer may 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	Company, trustee of a trust, partnership or sole trader may claim a tax deduction for premiums paid (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 policy on member's life	Fund trustee can generally claim premiums as tax deduction[3] At member level, in relation to making extra contributions into super to fund insurance premiums: • eligible people can claim personal super contributions as a tax deduction • employees can make pre-tax (salary sacrifice) super contributions • certain members may be eligible for Government co-contributions **Note:** Super contributions will count towards members' concessional or non-concessional contribution cap.[4]

1 FBT should be payable on taxable value of premiums.
2 Other ownership options may be available when TPD insurance is used for asset protection purposes.
3 Since 1 July 2011, TPD insurance premiums are only fully deductible to extent policy has necessary connection to a liability of fund to provide disability superannuation benefits to their members. Since 1 July 2014, superannuation funds can only provide insurance benefits that are consistent with superannuation conditions of release. New TPD policies must align with 'permanent incapacity' condition of release. Continued provision of benefits to members who joined fund before 1 July 2014 are the exception.
4 Member must also be eligible to contribute to super.

General tax implications (continued)	
Are benefits assessable for tax purposes?	**Are benefits subject to 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)
At member level, tax treatment when TPD benefit is paid as a lump sum or income stream is outlined in 'Super – access and taxation of benefits' section	No (ITAA97 s118–37)

1 Defined relatives include:
a person's spouse, or
b parent, grandparent, brother, sister, uncle, aunt, nephew, niece, lineal descendent or adopted child of that person, or of that person's spouse, or
c spouse of a person referred to in paragraph (b).

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

INSURANCE

Critical illness insurance (benefit paid as lump sum)

General tax implications	
Scenario	**What 'up-front' tax concessions are available**
Owned by individual on own life, premiums paid by individual for personal protection	None
Owned by individual on own life, premiums paid by employer	Employer may 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	Company, trustee of a trust, partnership or sole trader may claim premiums paid as a 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

[1] FBT should be payable on taxable value of premiums.
[2] Other ownership options may be available when critical illness insurance is used for asset protection purposes.

General tax implications (continued)	
Are benefits assessable for tax purposes?	**Are benefits subject to 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 person's spouse, or
b parent, grandparent, brother, sister, uncle, aunt, nephew, niece, lineal descendent or adopted child of that person, or of that person's spouse, or
c spouse of a person referred to in paragraph (b).

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

Income protection insurance

General tax implications	
Scenario	**What 'up-front' tax concessions are available**
Owned by individual on own life, premiums paid by individual for personal protection	Individual may claim premiums as tax deduction
Owned by individual on own life, premiums paid by employer	Employer may claim premiums as tax deduction[1]
Super Fund Trustee owns on member's life[2]	Fund trustee can claim premiums as tax deduction At member level in relation to making extra contributions into super to fund insurance premiums: • eligible people may claim personal super contributions as a tax deduction • employees can make pre-tax (salary sacrifice) super contributions • certain members may be eligible for Government co-contributions **Note:** Super contributions will count towards members' concessional or non-concessional contribution cap[3]

General tax implications (continued)	
Are benefits assessable for tax purposes?	**Are benefits subject to CGT?**
Yes – benefits are assessable to individual	No
Yes (as above)	No
Yes (as above)	No

1 FBT is not payable as premium is 'otherwise deductible' to employee.
2 Since 1 July 2014, superannuation funds can only provide insurance benefits to extent that policy definitions are consistent with superannuation conditions of release. New income protection policies must be consistent with 'temporary incapacity' condition of release. Continued provision of benefits to members who joined fund before 1 July 2014 are the exception.
3 Member must also be eligible to contribute to super.

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