



Tax and your CSS pension

Who should read this fact sheet?

CSS pensioners who would like to know more about tax offsets.

What is in this fact sheet?

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What you should know up front

It is important that you read the disclaimer at the end of this fact sheet. Before making any decisions, please read the **CSS product disclosure statement** and consider seeking advice from a licensed professional such as a financial planner, accountant or solicitor.

What components make up my pension?

Your pension can be made up of three components.

Tax-free component

Your benefit may include a tax-free component. This component consists of your member contributions paid to the scheme from 1 July 1983. It may also include a pre 1 July 1983 component if your eligible service started before 1 July 1983.

Taxable taxed component (part of the pension from a taxed source)

Your benefit may include a taxable taxed component. This component consists of your post-June 1990 productivity and fund earnings on your member contributions.

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

Your benefit may include a taxable untaxed component. This component consists of your employer component and any pre-July 1990 productivity and earnings.

What is a tax offset?

A tax offset is a reduction in your tax liability. Often a tax offset is described as a percentage (for example, an offset of 10% to a pension). It is different from a tax deduction, which reduces your assessable income.

Tax offset example – Age 60 and over

The following example shows how the tax offset is calculated.

If the untaxed component of your fortnightly pension is \$1000, the offset amount is 10% of \$1000 which is \$100.

If your marginal tax rate is 30%, you would pay \$300 tax per fortnight before the offset.

You then deduct the offset amount from the amount of tax applicable based on your marginal tax rate i.e. $\$300 - \$100 = \$200$

Your tax liability for that fortnight would now be \$200.

- > a reversionary pension recipient (regardless of age), that has a taxed component and your late spouse was under 60. You will receive this 15% offset at any age until you are 60 years old. Once you turn 60, this will become tax-free, or
- > an invalidity pension recipient. This offset is available to you at any age.

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

A 10% tax offset is available on the taxable untaxed component if you are:

- > age 60 or over. Once you reach 60, the part of your pension from a taxed source becomes tax-free plus you are entitled to a 10% tax offset on your untaxed component. We will automatically apply this 10% offset to your fortnightly pension when you turn 60. Your fortnightly tax will also change to the marginal tax rate less the 10% offset.
- > a reversionary pension recipient (regardless of age) and your late spouse was over 60. The part of your pension from a taxed source is tax-free and you are eligible for the 10% tax offset on the pension from an untaxed source.

If eligible, these tax offsets will be applied to your pension fortnightly. If you would like to claim this offset as part of your annual tax return (instead of in your fortnightly pension) you will need to tell us in writing.

What tax offsets are available?

There are two tax offsets that may be available to you.

A 15% tax offset is available on the taxable taxed component of your pension if you are;

- > aged 55 to 59 and any part of your pension was from a taxed source. We will automatically apply the offset to your pension when you turn 55. Your fortnightly tax will also change to the marginal tax rate less the 15% offset.

How are pensions taxed?

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

Table 1. Tax treatment of pensions

	Percentage of tax payable on a taxed source		Percentage of tax payable on an untaxed source	
	Tax-free component	Taxable component	Tax-free component	Taxable component
Under preservation age	0%	Your marginal tax rate	There is no tax-free component for pensions from an untaxed source	Your marginal tax rate
Under age 60 and reached preservation age	0%	Your marginal tax rate less a 15% tax offset	There is no tax-free component for pensions from an untaxed source	Your marginal tax rate
Age 60 and over	0%		There is no tax-free component for pensions from an untaxed source	Your marginal tax rate less a 10% tax offset

What are marginal tax rates?

'Marginal tax rate' is the term used to describe the method of taxation withholding. Withholding rates are calculated on the basis that, if your pay and circumstances remain consistent throughout the year, you may be entitled to a small refund when you complete your tax return at the end of the financial year.

This system is called **pay as you go (PAYG) withholding**.

For more information about taxation matters, please contact the Australian Taxation Office on 13 10 20 or visit www.ato.gov.au.

Where can you get more information?

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