For adviser use only

MLC Facts and Figures

2020/21

Contents

Tax

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 – $90,000	$3,572 + 32.5%
$90,001 – $180,000	$20,797 + 37%
$180,001 +	$54,097 + 45%

Personal tax rates – non-residents		
Taxable income	**Tax payable** (Medicare levy not payable)	
	Working holiday-makers	Other non-residents
$0 – $37,000	15%	32.5%
$37,001 – $90,000	$5,550 + 32.5%	32.5%
$90,001 – $180,000	$22,775 + 37%	$29,250 + 37%
$180,001 +	$56,075 + 45%	$62,550 + 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 2019/20		
Single taxable income[1]	**Family taxable income[1]**	**Medicare levy**
Not eligible for Senior and Pensioner Tax Offset (SAPTO)		
\$0 – \$22,801	\$0 – \$38,474[2]	Nil
\$22,802 – \$28,501	\$38,475[2] – \$48,092[3]	10% of taxable income between thresholds
\$28,502 +	\$48,093[3] +	2%
Eligible for SAPTO		
\$0 – \$36,056	\$0 – \$50,191[2]	Nil
\$36,057 – \$45,069	\$50,192[2] – \$62,739[3]	10% of taxable income between thresholds
\$45,070 +	\$62,740[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 \$3,533 per dependent child.

3 Plus \$4,416 per dependent child.

Medicare levy surcharge 2020/21		
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

Low income tax offset[1]		
Max. offset	**Shade-out income**	**Rate of reduction**
$445	$37,000 – $66,667	$0.015 per $1.00

1 Based on taxable income. *ITAA97 s61-110*

Low and middle income tax offset	
Taxable income	**Offset available[2]**
Up to $37,000	$255
$37,001 to $48,000	$255 + ((Income – $37,000) x 0.075)
$48,001 to $90,000	$1,080
$90,001 to $126,000	$1,080 – ((Income – $90,000) x 0.03)

2 Based on taxable income *ITAA s61-105*

Seniors and Pensioners tax offset[3]			
	Max. offset	**Shade-out income**	**Rate of reduction**
Single	$2,230	$32,279 – $50,119	$0.125 per $1.00
Couple	$1,602	$28,974 – $41,790	$0.125 per $1.00

3 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) and Low and Middle Income tax offset (LMITO)	$21,884
Senior and Pensioners tax offset plus LITO and LMITO	
Single	$33,088
Couple	$59,566 combined
15% pension offset	$55,435[4]

4 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**
< $50 million	26%
$50 million +	30%

Note: The tax rate for entities with aggregated annual turnover below relevant threshold will decrease to 25% from 2021/22.

Small business tax offset	
Financial year	**Rate of offset** (capped at $1,000)
2020/21	13%
From 2021/22	16%

Note: Small business tax offset applies to small businesses with a turnover of less than $5 million.

ITAA97 s328-355 & s328-360

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. From 8/5/2012, CGT discount may not be available for all or part of capital gain made by current or former non-residents.

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**

ITAA97 Div 152

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. Different rules may apply to non-residents.

Termination of employment

Redundancies

General conditions	• Under age pension age • Position no longer exists • No re-employment arrangement
Tax-free amount	• $10,989 + $5,496 for each completed year of service • Excess taxed as ETP – see below

[1] Age pension age is determined based on individual's age and gradually increasing to 67. Test date is at the time of being made redundant.

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%[2] Excess taxed at 45%[2]
Preservation age +	Tax Free	Tax-free
	Taxable	≤ cap amount taxed at 15%[2] Excess taxed at 45%[2]

[2] Plus Medicare levy

ITAA97 s82-10

ETPs – caps and reductions

Cap amount on taxable component	
Genuine redundancy, invalidity or approved early retirement	$215,000 annual ETP cap
Other ETPs	Lesser of: • $215,000 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 the person's age pension age 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)

ITAA36 s26AH

Fringe benefits tax (FBT year ending 31/3/2021)	
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

Super – accumulation

Contribution eligibility

Overview of conditions

Contribution type	Work test	Maximum age
Mandatory employer (includes **SG** and employer contributions required under an agreement or award certified by an industrial authority)	No	None
Voluntary employer (including salary sacrifice)	Yes, if aged 67+ at time of contribution	75[1]
Personal (Includes **non-concessional**, **personal deductible**, **small business CGT contributions** and overseas transfers)	Must have worked at least 40 hours over a consecutive 30 day period in financial year of contribution to meet test or work test exemption applies	75[1]
Spouse		75[1]
Downsizer contribution (must be 65 or older and meet other eligibility criteria)	No	N/A

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

SISR 7.04

Work test exemption

Eligibility

- May be applied only in the financial year immediately following year the individual last met the work test
- Individual's **total super balance** is less than $300,000 on previous 30 June
- Can be only utilised once in an individual's lifetime

Key details

- Can be applied to both voluntary employer contributions and member contributions. These include salary sacrifice, personal deductible contributions, personal contributions, small business CGT contributions, and spouse contributions.

SISR 7.04(1A)

Concessional contributions (CCs)

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)
- Overseas transfers including any amount member has elected to have taxed in Australian super account

CC Cap

Financial year	Annual CC cap
2020/21	$25,000

Note: The concessional cap is indexed by AWOTE in increments of $2,500 (rounded down).

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 (3.10% for July - September 2020 quarter) • Calculated and compounds daily • General interest charge also applies to amounts unpaid by due date

ITAA97 Div 291

CC Taxation			
Tax	**Tax on contributions**	**Applies when**	**Assessable**
Contributions tax	Up to 15%	All income levels[1]	In fund
Division 293 tax	Additional 15% on CCs within CC cap	$250,000 +	To individual – can provide a release authority to fund to pay tax

1 Individuals earning $37,000 or less in 2020/21 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[2]	Taxable income, reportable fringe benefits, total investment losses, net family trust distribution on which tax has been paid and low tax contributions
Applies to	Contributions to both taxed and untaxed funds
If income threshold exceeded by inclusion of CCs	Only contribution amount above income threshold (that is not an excess CC) is subject to Division 293 tax
Exempt individuals	Certain state higher level office holders and Commonwealth Justices

2 This definition of income excludes assessable amounts accessed under FHSSS and super lump sums within low rate cap.

Catch-up CCs	
Key dates	
From 1/7/2018	Carry forward unused **CCs**
2019/20 and onwards	Carried forward amounts can be used

Key details

- Unused amounts can be carried forward for 5 years
- Individual's **total super balance** cannot have exceeded $500,000 as at the 30 June prior to the financial year in which the catch up contribution is made
- Additional CCs will first reduce earliest accrued unused CC amount

ITAA97 s291-20

Superannuation Guarantee (SG)

SG contribution rates	
Period	**Rates**
Current – 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%

SGAA s19

Maximum contribution base	
Per quarter	$57,090

SG 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

Note: If employer uses a clearing house, a super contribution is taken to have been received for this purpose only when the super fund receives it (exceptions apply where the ATO's Small Business Clearing House is being used) – *SGAA s23B*.

SG OPT-OUT

- Eligible employees with more than one employer can apply to ATO to opt-out of receiving SG
- Application can be made if total SG contributions across all employers likely to exceed **CC cap**
- Certificate provided by ATO ensures that the specified employer does not need to pay SG and will not have SG shortfall
- Cannot exempt all employers from SG in a single quarter

SG CHARGE

Failure to pay sufficient SG will result in SG charge (SGC). SGC compromises of:

- SG shortfalls – broadly calculated as quarterly salary/wages per employee x (SG% less actual support %)
- 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

Note: Amendments apply during the SG amnesty which ends on 7/9/2020. Details of amnesty is available at **www.ato.gov.au**

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
- Salary sacrifice amounts to super

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 for work done outside Australia
- Salary or wages paid by non-resident employer for work done outside Australia

SGAA s27 – s28. SGD 2003/5

Personal deductible contributions

Conditions	
Contributions made	Personal contributions
Age related conditions	• If < 18 years, must generate business or employment income • If aged 67 to 74, must have worked at least 40 hours over a consecutive 30 day period during the financial year (unless work test exemption applies)
Assessable income	Cannot claim a deduction for an amount that reduces assessable income, less other deductions, to less than nil
Deduction notice	A valid '**Notice of Intent**' form must be received and acknowledged by the fund in required timeframe (see opposite page)
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**.

ITAA97 subdivision 290-C

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 as 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 has been used in whole or part to start pension • Contribution is a **downsizer contribution**, or re-contribution under the First Home Super Saver Scheme (where funds not applied to eligible home purchase)

Non-concessional contributions (NCCs)

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)**
- Eligible **downsizer contributions**

NCC cap – 2020/21

Cap	**Total Super Balance** (on 30 June of previous financial year)	Cap amount
Annual cap	< $1.6m	$100,000
Bring-forward • can only be triggered if < 65 on prior 1 July[1] • to determine eligibility to trigger bring-forward	< $1.4m	$300,000
	$1.4m to < $1.5m	$200,000
	$1.5m to < $1.6m	$100,000
	$1.6m +	Nil

ITAA97 s292-85

Key bring-forward rule requirements[1]

- 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) remaining bring-forward available not indexed
- Once triggered, unused amount can be used in subsequent years in available bring-forward period, even if aged 65 or over (subject to either meeting **work test** for each year contribution is made or the **work test exemption** applies)
- Only eligible to contribute balance in subsequent years during bring-forward period if total super balance on previous 30 June < $1.6m
- Must be 64 or under at 1 July of financial year to be eligible to trigger bring-forward rule. If 67 or older at time any contribution is made, work test must be satisfied for that financial year, unless work test exemption applies

[1] It is proposed to amend the tax legislation to allow individuals aged 65 and 66 to trigger the bring forward rule when making non-concessional contributions from 1 July 2020. Legislation supporting this measure had not passed at time of writing. However, note that the age at which the work test applies has increased to 67 and is law.

ITAA97 Division 292

Excess NCCs - options	
Election to withdraw or no election made	• 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
Election not to withdraw	• If excess amount is not withdrawn, the excess NCCs are subject to tax at highest MTR plus Medicare levy

Contributions made using CGT cap

Key details		
Concession claimed	**Lifetime cap amount** (in 2020/21)	**Source of funds that can be contributed**
15-year exemption	$1,565,000 (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.

Downsizer Contributions

Eligibility criteria

- Individual is 65 or over at time contribution is made

Qualifying dwelling

- Contribution is made from proceeds of sale of qualifying dwelling in Australia
- Dwelling is owned by individual or spouse for at least 10 years prior to disposal
- Main residence exemption must be applied in whole or part (unless a pre-CGT asset which would otherwise qualify)
- Does not need to have been main residence at the time of sale
- Contract for sale is entered into on or after 1/7/2018

Contributing the funds

- Contributions made within 90 days[1] of change of ownership
- Election, via the approved form, is made to treat contribution as downsizer contribution on or before time that contribution is made
- Individual has not previously made downsizer contributions in relation to earlier disposal of another property
- Maximum contribution is lesser of:
  - $300,000 or
  - total proceeds individual or spouse receives from disposal
- Cannot claim as a **tax deduction**
- If eligibility conditions met:
  - amount is not assessed against **NCC cap**
  - **work test** does not need to be met
  - contribution can be made regardless of **total super balance**
  - no upper age limit

[1] ATO may approve a longer timeframe.

ITAA97 s292-102

TOTAL SUPER BALANCE (TSB)

TSB FACTS	
Sum of:	• amounts held in accumulation phase • amounts counted in individual's **transfer balance account** adjusted to reflect exit 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 (if TBA exists, reduction in respect of this contribution is already accounted for)

ITAA97 s307-230

TSB LIMITS

Contribution	TSB limit	Measured at
Catch-up concessional contribution	$500,000	30 June prior to the financial year in which catch up contribution is made
Work test exemption	$300,000	30 June of prior financial year
Government co-contribution	$1.6m	30 June of prior financial year
Spouse contribution tax offset	$1.6m (receiving spouse)	30 June of prior financial year
NCCs up to annual cap	$1.6m	30 June of prior financial year
Bring-forward contributions • up to $300,000 • up to $200,000	 $1.4m $1.5m	30 June prior to the year bring-forward triggered. TSB < $1.6m each 30 June during bring-forward period if additional contributions

SUPER – ACCUMULATION

Contributions – other

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 2020/21)
- **NCCs** made must be within person's **NCC cap**

Assessable income (AI)[1]	Personal contribution	Co-contribution available
$39,837 or less	Any amount	Personal contribution x 0.5 (max $500)
$39,838 – $54,837	$0 – $1,000	Lesser of: • personal contribution x 0.5, or • $500 – [0.03333 x (AI – $39,837)]
$39,838 – $54,837	$1,000 +	$500 – [0.03333 x (AI – $39,837)]
$54,838 +	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.

GCCA s6 – s10

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 2020/21)
- **NCCs** made must be within receiving spouse's **NCC cap**
- Receiving spouse must be <75[1]

Financial year	Spouse's assessable income (AI)[2]	Max. rebatable contributions (MRC)	Max. offset 18% of lesser of:
2020/21	$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 If the receiving spouse is aged 67–74, that person must either satisfy the **work test** or the **work test exemption** applies.

2 Assessable income plus reportable fringe benefits and reportable employer super contributions.

ITAA97 Subdivision 290-D

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% (max. $500[2])

[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.

[2] Minimum amount payable is $10.

GCCA Part 2A

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** • continues to count towards relevant cap of spouse on behalf of whom contribution was originally made • comprises 100% taxable component

SISR Div 6.7

Taxation of fund income – accumulation phase

Tax rates	
Fund income	**Tax payable**
Assessable contributions	Up to 15%
No-TFN contributions	32% 15% contributions tax also payable
Earnings and non-discount capital gains	Up to 15%
Discount capital gains (if applicable)	Up to 10%
Non-arm's length income	45%
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
No TFN contributions	• Personal contributions for which a **tax deduction** is claimed • 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 is not 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

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 as pension payment Conditions apply until condition of release with nil cashing restrictions is met
Preservation age and retired	
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 up to time of termination New contributions or growth on accumulation balance are 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 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	Termination of gainful employment with employer (or associates) who had contributed to member's super fund
Cashing restrictions	Nil – paid as a lump sum only
Termination with employer who had contributed to fund	
Rules	Termination of gainful employment with employer (or associates) who had contributed to member's super fund
Cashing restrictions	Preserved component can be received as non-commutable pension or annuity. Restricted non-preserved benefits – nil
Transfers to Australian super fund from KiwiSaver	
Rules	Attaining age 65
Cashing restriction	Nil

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)
Compassionate grounds	
Rules	Member must apply to ATO for payment and satisfy release based on specific grounds
Cashing restrictions	A single lump sum not exceeding an amount determined by ATO

Summary of conditions of release (continued)	
Compassionate ground - Coronavirus	
Rules	Member must satisfy one of the following: • being unemployed • eligible for JobSeeker Payment, Youth Allowance (JobSeeker), Parenting Payment, Special Benefit or Farm Household Allowance • on or after 1/1/2020, member was made redundant, hours reduced by at least 20% or if a sole trader, the business has been suspended or turnover reduced by at least 20% Application made via ATO
Cashing restrictions	• Two single lump sums of $10,000 – one in 2019/20 and second application must be lodged by 24/9/2020 • Lump sums are tax-free and are not assessable for social security purposes
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 is considered **NCC** and is preserved
Death	
Rules	Proof must be provided to fund trustee
Cashing restrictions	Nil – may 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

Summary of conditions of release (continued)	
First Home Super Saver Scheme (FHSSS)	
Rules	Must never have owned real property in Australia (including freehold or lease of land), be aged 18 or over at time of making release application, and no previous release requested under FHSSS
Cashing restrictions	FHSSS eligible contributions (made from 1/7/2017) plus associated earnings Eligible contributions include 85% of voluntary concessional contributions (excludes mandated employer) and non-concessional contributions made by member Maximum eligible contributions that count towards release amount are: • $15,000 per financial year, and • total of $30,000

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	
Accumulation phase (as lump sum)	Taxable and tax free components are drawn in same proportions that made up total interest immediately before withdrawal

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 2020/21	$215,000	
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 included in assessable income in individual's tax return, which may impact entitlement to Government tax benefits and concessions that are based on assessable or taxable income	
Untaxed plan cap		
Cap in 2020/21	$1,565,000	

[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	$= \text{Amount of benefit} \times \frac{\text{Days to retirement}}{\text{Service days} + \text{Days to retirement}}$ 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 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 **taxation of income stream payments**.

ITAA97 s307-145

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)	**Pension**
Spouse	Yes	Yes	Yes
Child:			
• < 18	Yes	Yes	Yes
• 18-24 & financially dependent	Yes	Yes	Yes
• 25 or over and permanently disabled	Yes	Yes	Yes
• 25 or over and financially dependent (unless disabled[2])	Yes	Yes	No
• 18 or over and not dependent	Yes	No	No
Financial dependant (see above for children)	Yes	Yes	Yes
Interdependant (see above for children)	Yes	Yes	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 Disability, for this purpose, is defined in **s8(1) of Disability Services Act 1986**.

Taxation of lump sum death benefits

Summary of tax payable		
Beneficiary	**Components**	**Maximum tax rate**
Tax dependant (spouse, former spouse, child < 18, 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 or non-resident for tax purposes.
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.

Note: Payments made to non-tax dependants of Australian Defence Force and police personnel who died in the line of duty receive the same tax treatment as dependents (ITAA97 s302-195(2)).

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 is 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.

Note:

- 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.

Super – income streams

Transfer balance cap

Key details	
General transfer balance cap (TBC) 2020/21	$1.6m
Indexation of general cap	• Indexed to CPI • Increased in increments of $100,000 (rounded down)
Proportional indexation of personal cap	Proportioning applies if person has commenced a retirement phase income stream but has not fully utilised cap **Increase** = Unused cap % x indexation increase ($) Unused cap % is based on the highest balance for the individual at any time
Applies to	All retirement phase products, including: • super account based pensions • super death benefit pensions • super annuities • super deferred income streams (if a **full condition of release** met) • defined benefit income streams • **term allocated pensions**, and • **transition to retirement (TTR)** pensions that have entered retirement phase (which occurs automatically when a member reaches age 65, or at time trustee is notified that member has **retired**, is **terminally ill**, or is **permanently incapacitated**)
Excluded	• TTR pensions not in retirement phase • non super annuities, and • overseas pensions

ITAA97 Division 294

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 (includes)	• Value of retirement phase income stream at commencement (or on 30/6/2017 if existing income stream) • Notional earnings on excess transfer balance amount • New amounts subsequently transferred to retirement phase • Value of a **TTR pension** at time it enters retirement phase
Debits (includes)	• Commutations received by a member • Commutations back to accumulation • Contributions made under structured settlement • Fraud or bankruptcy • Family Law split

Note: Value of super benefit payable is if holder voluntarily caused interest to cease at that time which may be different to amount in account.

ITAA97 Subdivison 294-B

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
Excess transfer balance tax payable on	Notional earnings are calculated as follows: **Notional earnings** = $\frac{\text{90 day bank accepted bill yield + 7\%}}{\text{Number of days in year}}$

ITAA Subdivision 294-F

Excess tax on notional earnings	
Financial year	**Tax payable**
• First breach	• 15%
• Second and subsequent breach	• 30%

Proportional drawdown

Tax components

- Super income stream payments can consist of tax-free and taxable components. The tax-free component of an income stream is determined at the date of purchase. The balance is the taxable component
- Any withdrawal (income payment or commutation lump sums) include both tax-free and taxable component in the same portions determined at commencement

ITAA97 s307-125

Taxation of income stream payments

Account based income streams - taxed funds		
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 to age 59	Taxed at MTR[1] less 15% tax offset
	Age 60+	Tax free

1 Plus Medicare levy

Note: For taxation of death benefit income streams, see **Taxation of death benefit income streams**.

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 or paid due to permanent disability to age 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 An individual's DB income cap is reduced in certain circumstances. See '**Transfer Balance Cap**' in this section.
3 Cap applies first to tax-free component, followed by taxed and then untaxed.
4 Plus Medicare levy

Taxation of fund income	
Pension phase	**Tax rate**
Income attributable to **retirement phase**	Tax exempt
Transition to retirement pensions[1]	Up to 15%
Non-arm's length income	45%

[1] Applies while pension is a Transition to Retirement (TTR) pension in pre-retirement phase. 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.

Death benefits payment options

Summary of options available for different beneficiaries			
Beneficiary	**On death, which beneficiaries are eligible to receive:**		
	Lump sum[2] (SIS dependant)	**Tax-free lump sum** (Tax dependant)	**Pension**
Spouse	Yes	Yes	Yes
Child:			
• < 18	Yes	Yes	Yes
• 18-24 & financially dependent	Yes	Yes	Yes
• 25 or over and permanently disabled	Yes	Yes	Yes
• 25 or over and financially dependent (unless disabled[3])	Yes	Yes	No
• 18 or over and not dependent	Yes	No	No
Financial dependant (see above for children)	Yes	Yes	Yes
Interdependant (see above for children)	Yes	Yes	Yes

[2] 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.
[3] Disability, for this purpose, is defined in **s8(1) of Disability Services Act 1986**.

Note: Taxation of superannuation lump sums are outlined on page 36.

Taxation of death benefit income streams

Account based pensions - taxed funds		
Age of deceased/ beneficiary[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)	Taxed at MTR less 15% offset[3, 4]

1 This tax treatment also applies to a child in receipt of a death benefit income stream. Income stream payments are taxed at **adult marginal tax rates** (if applicable).
2 Proportional drawdown rules apply.
3 Plus Medicare levy.
4 Income is tax-free once beneficiary reaches age 60.

Note: Income payments received from capped DB income streams may be subject to additional rates of tax in certain circumstances.

ITAA97 s302-65 to s302-75

Commutation of death benefit income streams

- Partial or full lump sum commutations from death benefit income streams are always death benefit lump sums, which are received tax-free
- 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 benefits cannot be consolidated with other member benefits and must be retained separately

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

Death benefit income streams and transfer balance cap	
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 equal to the value at commencement *ITAA97 s294-25*
Modifications for child death benefit income stream	• 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 *ITAA97 s294-185 to s294-200*
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 *ITAA97 s294-25*

Modifications for capped defined benefit income streams	
DB income cap 2020/21	\$100,000 (General Balance Transfer Cap ÷ 16)
Credit value	Determined by ‘special value’ (SV) **Lifetime income streams** **SV** = annual entitlement amount x 16 Where: **Annual entitlement** $= 365 \times \frac{\text{First payment}}{\text{Payment period}}$
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

Account based and transition to retirement pensions		
Age at start of pension (and 1 July each year)	**Minimum amount for 2020/21[1]**	**Minimum amount for 2021/22 onwards**
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+	7%	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.

[1] The minimum pension drawdown is halved in response to the Coronavirus. This reduction applies in 2019/20 and 2020/21.

SISR Schedule 7

Transition to retirement pensions

Key rules and facts	
Minimum payment[1]	2%[2] 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 certain conditions of release are met with a nil cashing restriction (see below)
Lump sum commutations allowed	• From any unrestricted non-preserved amount • To give effect to a Family Law split • Upon meeting certain conditions of release with a nil cashing restriction (see below) • 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 while in pre-retirement phase
TTR and transfer balance cap	• A TTR pension enters 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**

1 A minimum annual payment does not need to be made where a TTR is commenced from 1 June to 30 June. A pro-rata minimum payment is required if it is commenced before 1 June.
2 Minimum payment factor is reduced from 4% to 2% for 2019/20 and 2020/21 financial years.

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[1]	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	Generally commutations are not permitted
Remaining account balance	Any account balance remaining at end of term must be paid out as income within 28 days

1 For 2019/20 and 2020/21, the minimum payment is reduced by half. This is determined after the reduction of 10% (see income variability).

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

SISR Schedule 6

Life expectancy factors

From Australian Life Tables 2015-2017 (to be used from 1/1/2020)					
Age	**Male**	**Female**	**Age**	**Male**	**Female**
50	32.84	36.14	76	11.57	13.39
51	31.93	35.21	77	10.90	12.64
52	31.03	34.27	78	10.25	11.90
53	30.13	33.34	79	9.63	11.18
54	29.24	32.42	80	9.02	10.49
55	28.35	31.49	81	8.44	9.81
56	27.47	30.57	82	7.89	9.16
57	26.60	29.66	83	7.36	8.54
58	25.73	28.75	84	6.86	7.94
59	24.87	27.84	85	6.39	7.37
60	24.02	26.93	86	5.95	6.83
61	23.17	26.03	87	5.54	6.32
62	22.33	25.14	88	5.16	5.84
63	21.50	24.24	89	4.81	5.40
64	20.67	23.36	90	4.50	4.99
65	19.86	22.47	91	4.22	4.61
66	19.04	21.60	92	3.96	4.28
67	18.24	20.73	93	3.72	3.97
68	17.45	19.87	94	3.50	3.69
69	16.67	19.02	95	3.29	3.43
70	15.90	18.18	96	3.11	3.18
71	15.14	17.35	97	2.93	2.94
72	14.39	16.53	98	2.77	2.73
73	13.66	15.73	99	2.62	2.53
74	12.95	14.93	100	2.49	2.36
75	12.25	14.15			

Super – SMSF

SMSF Membership/Trustee Rules

Key rules	
General rules	
All SMSFs	• Up to 4 members • No member can be an employee of another member, unless they are related • Trustees generally cannot be remunerated for work they undertake when fulfilling their trustee obligations

Fund specific rules		
No. of members	**Individual trustees**	**Corporate trustees**
2 to 4	• Each member must be a trustee and, generally, each trustee must be a member • Must be aged 18 +, can't be under a legal disability and can't be a 'disqualified person'	• Each member must be a director of trustee company and, generally, each director of trustee company must be a member • Directors must be aged 18 +, can't be under a legal disability and can't be a '**disqualified person**'
1	• Second individual trustee must be appointed, who doesn't have to be a fund member	• Single member has to be either sole director of trustee company, or one of only two directors

Other rules	
Disqualified person	Someone, who at any time: • was convicted of an offence involving dishonesty • has been subject to a civil penalty order under superannuation law • is an undischarged bankrupt, or • has been disqualified by Australian Taxation Office
Company restrictions	A company isn't permitted to act as trustee if: • a responsible officer, including a director, secretary or executive officer of that company, is a 'disqualified person' • a receiver, official manager or provisional liquidator has been appointed to company, or • action has commenced to wind up company
Solutions where members unable to be trustee or director of corporate trustee	If child < 18, a parent, guardian or LPR may be an individual or corporate trustee in child's place If member goes overseas indefinitely, another person who holds an enduring power of attorney for member can act as an individual or corporate trustee on member's behalf to ensure 'central management and control' of fund remains in Australia If member loses mental capacity, another person who holds an enduring power of attorney for member act as an individual or corporate trustee on member's behalf to ensure fund continues to meet definition of an SMSF under law

SISA s17A

Key investment rules

Summary of key investment rules and legislative references	
Complying funds must:	
Meet sole purpose test	SISA s62
Not provide financial assistance to members or relatives	SISA s65
Not acquire assets from related parties	SISA s66
Not borrow (limited exceptions)	SISA s67
Limited recourse borrowing arrangements	SISA s67A
Satisfy in-house asset rules	SISA s69 - s85
Ensure all transactions are at arm's length	SISA s109
Ensure investments are consistent with fund's investment strategy	SISR 4.09
Not use fund assets as security for borrowing	SISR 13.14

In-House asset and related party rules

Summary of rules	
General rule	
Super funds are restricted to a limit on in-house assets of 5% of market value of fund's total assets	
In house assets	
Includes	• Loan to, or investment in, a **related party of fund** • Investment in related trust of fund • Asset subject to lease between fund trustee and related party
Excludes	• Deposit with authorised deposit taking institution • Life insurance policies issued by life insurance company • Investments in pooled superannuation trusts • Units in widely held unit trusts • Business real property subject to a lease arrangement between fund and related party • Property owned as tenants in common between fund and related party • Reg 13.22C companies or trusts
	SISA Part 8 Subdivisions C - E

RELATED PARTIES	
Includes	**Summary**
Member	Each fund member
Standard employer sponsor	Employer who contributes to fund under arrangement with fund trustee(s). Agreement must be with trust(s), not member(s)
Associates of member or standard employer-sponsor	Includes: • Other SMSF members • SMSF trustee(s) / corporate trustee director(s) • Relative – see below • Partner of partnership • Controlled trust • Company sufficiently influenced or where majority voting interest is held *SISA 70B – 70E*
Relatives	Includes parents, grandparents, siblings, aunts, uncles, cousins and spouses of these individuals *SISA s10*

LRBAs

Limited Recourse Borrowing Arrangements (LRBAs)	
Summary of rules	
Purpose	To acquire permitted assets in fund, subject to strict requirements
Core rules	Include: • Borrowing is used to acquire asset held on trust on behalf of super fund trustee who has a right (but not an obligation) to acquire legal ownership through one or more payments • Cannot be an asset fund is prohibited from purchasing by law, an asset acquired from a related party, subject to certain exceptions (see below) or an existing fund asset • Must be a 'single acquirable asset' • Lender's recourse against super fund trustee is limited to rights relating to asset at time of action • Loan terms must be such that LRBA is considered an arm's length arrangement. ATO has provided 'safe harbour' guidelines in PCG 2016/5 • Asset (or any replacement) must be one which super fund trustee is permitted to acquire and hold directly • Trust deed must allow borrowing *SISA s67, s67A & s68*
Exceptions to acquiring assets from related parties	Includes: • Securities listed on an approved stock exchange • Business real property (up to 100%) for funds with < 5 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, and • In-house assets within **allowable limits** *SISA s66*

LRBAs (continued)	
Summary of rules	
Total super balance (TSB)	Outstanding balance of LRBA included in **TSB** entered into from 1/7/2018 if either apply: • the lender of the LRBA is a **related party** or associate • the member has satisfied a **condition of release** with a nil cashing restriction *ITAA97 s307-230*
Transfer balance cap	A credit to the member's **transfer balance account** from payments that result in an increase of the interest in the member's pension where LRBA entered into on or after 1/7/2017 (eg loan repayments from accumulation interest) *ITAA97 s294-25*

Safe harbour loan conditions (specified in PCG 2016/5)		
Feature	**Real property**	**Listed shares or units**
Interest rate	RBA Indicator Lending Rates for banks providing standard variable housing loans for investors, plus 2% for listed shares and units. Rates for 2020/21: • real property 5.10% • listed shares or units 7.10%	
Max. loan term:		
• Variable rate loan (original)	• 15 years	• 7 years
• Variable rate loan (refinance)	• 15 years, less any previous loan(s) relating to asset	• 7 years, less any previous loan(s) relating to asset
• Fixed rate loan	• 5 years. Must convert to variable at end of loan term. Total loan term cannot exceed 15 years	• 3 years. Must convert to variable at end of loan term. Total loan term cannot exceed 7 years
Max. loan to valuation ratio	70%	50%
Security	Registered mortgage over property	Registered charge/ mortgage or similar security (that provides security for loans for such assets)
Personal guarantee	Not required	
Nature of repayment	Principal and interest	
Repayment frequency	Monthly	
Loan agreement required	Must be written and executed	

Collectables and personal use assets

Summary of general rules		
Collectables and personal use assets	• Artworks • Jewellery • Antiques • Artefacts • Coins or medallions • Postage stamps or first day covers • Rare folios, manuscripts or books	• Memorabilia • Wine • Cars • Recreational boats • Membership of sporting or social clubs • Assets ordinarily used or kept mainly for personal use or enjoyment (excluding land)
Requirements for assets: • acquired on or after 1/7/2011, and • from 1/7/2016 for assets acquired before 1/7/2011	• Asset must not be used by or leased to related party • Asset must not be stored in private residence of related party • Decision on storage of asset must be documented and kept for 10 years • Asset (other than membership of sporting club) must be insured in fund's name within 7 days of acquisition • Independent valuation must be obtained before selling to related party	

SMSFs and overseas residency

Summary of general rules	
Definition of Australian super fund	Requirements include: • fund must be established in Australia, or at least one of fund's assets must be located in Australia • 'central management and control' of fund must be ordinarily in Australia, and • 'active member' test needs to be satisfied
Central management and control	Strategic and high level decision for the fund must be ordinarily located in Australia, including: • formulating, reviewing and updating fund's investment strategy • monitoring and reviewing investment performance • formulating a strategy for managing reserves, and • determining how the fund's assets are to be used to pay member benefits
Active member test	Satisfied if, at relevant time: • fund has no active members, or • at least 50% of fund's total market value is attributable to superannuation interests held by active members who are Australian residents, or • at least 50% of the sum of amounts that would be payable to or in respect of active members if they voluntarily ceased to be members is attributable to superannuation interests held by active members who are Australian residents

Other SMSF Rules

Summary of other SMSF rules	
Investment strategy	• Should specify meaningful and measurable objectives and take into account: – members' ages and retirement goals – potential risks and returns associated with different investments – expenses that will need to be met and when they will arise, including paying benefits to members as they retire, and – benefits of diversifying (spreading) fund's investments across a number of asset classes such as shares, property, cash and fixed interest • Investment strategy should outline methods fund will use to achieve objectives • Best practice would be to specify a percentage, or range of percentages, that fund can allocate to different asset classes • If SMSF invests wholly or primarily in a single asset, such as a business property, lack of diversification and liquidity problems that could arise need to be considered and plans for addressing these issues should be included • If under advice and investments are to be made that don't conform to prevailing investment strategy, strategy must be updated first
Separation of assets	Fund must keep super assets separate from other assets, such as personal or business assets, and assets of employers who contribute to fund
Proper records	Fund must prepare and keep proper records, including financial statements, tax returns, audits, actuarial certificates (where applicable) and minutes of trustee meetings and decisions

SISA s31

Social security

Qualifying ages

Age Pension	
Date of birth	**Qualifying age**
Prior to 1/1/1954	Already qualified
1/1/1954 – 30/6/1955	66
1/7/1955 – 31/12/1956	66.5
1/1/1957 onwards	67

Key rates and thresholds

Indexation			
Rates and thresholds are indexed during year, key dates being 20 March and 20 September and 1 July. Rates and thresholds below apply as at 1 July 2020. Latest rates and thresholds can also be found in our **'Centrelink Fact Sheet'** on **Social Security** page in **Technical section** of Adviser Online.			
Rates and thresholds (for period 1 July - 19 September 2020)			
	Single	**Couple**	**Illness separated**
Max. payment amount (pf)			
Age Pension (basic rate)	$860.60	$648.70 (each)	$860.60 (each)
Maximum pension supplement	$69.60	$52.50 (each)	$69.60 (each)
Energy Supplement	$14.10	$10.60 (each)	$14.10 (each)
Deeming rates			
0.25%	First $53,000	First $88,000	First $88,000
2.25%	Above $53,000	Above $88,000	Above $88,000
Income test cut out thresholds pf (applies to pensions, excl. Work Bonus)			
Full pension	Up to $178.00	Up to $316.00	Up to $316.00
Part pension	< $2,066.60	< $3,163.20	< $4,093.20
Assets test cut out thresholds (homeowners)			
Full pension	Up to $268,000	Up to $401,500	Up to $401,500
Part pension	< $583,000	< $876,500	< $1,031,500
Assets test cut out thresholds (non-homeowners)			
Full pension	Up to $482,500	Up to $616,000	Up to $616,000
Part pension	< $797,500	< $1,091,000	< $1,246,000
Commonwealth Seniors Health Card[1]			
Income limit (pa)	$55,808	$89,290	$111,616

1 Current from 20/9/2019. Thresholds indexed on 20 September each year.

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 single or couple combined after allowing for **Work Bonus**)	(Assets above reduction threshold / 1,000) x $3.00 per fortnight

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 $106 pf	Nil	No reduction[2]
$106 – $256 pf	50c per $1 of income over $106	
Above $256 pf	$75 plus 60c per $1 of income over $256	

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[3]

1 Income thresholds are current as at 1/7/2020. This test must be applied to each member of a couple based on their own income.
2 To qualify, assets must be below lower threshold for assets test – see **Key rates and thresholds**.
3 As a result of COVID-19, Partner Income test taper rate has been temporarily reduced to 25 cents per dollar. If allowee has no other income assessed, this would entitle them to a partial allowance if partner's income is up to $3,068.50 pf.

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	• JobSeeker Payment	• Youth Allowance (Jobseeker) • 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 or portion of termination payment based on gross wage represents, and • number of weeks that portion of termination payment not based on gross wage (eg a gratuity payment) represents (calculated by dividing termination payment by weekly wage) If employment is continuing, IMP equals actual leave period	
Applies to	• JobSeeker Payment • Partner Allowance • Widow Allowance	• Youth Allowance • Austudy • Disability Support Pension • Parenting Payment

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

Note: Applicants for JobSeeker, Youth Allowance (JobSeeker) and Parenting Payment are exempt from the ordinary waiting period and LAWP (see next page) for six months from 24/3/2020. This period may be extended.

Liquid assets waiting period (LAWP)[1]

Key details	Up to 13 weeks, based on following formula: $$\frac{\text{Liquid assets}^{2} - \text{maximum reserve amount}}{\$500 \text{ (single) or } \$1{,}000 \text{ (family)}}$$ where maximum reserve amount is: • $5,500 for single with no dependent children, and • $11,000 for a member of a couple or single person with 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	• JobSeeker Payment • Youth Allowance	• Austudy

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, assessed as asset and subject to deeming under income test
Lump sum withdrawals	Not assessed as income, however, amount withdrawn may become assessable if invested or used to purchase an assessable asset
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 and 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 purchased prior to 1/7/2019.

2 An assets test exemption (ATE) does not apply to new income streams purchased from 20/9/2007, 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 account based pensions	
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 (difference between surrender payment and sum of total premiums paid) 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	

Lifetime Income Streams (purchased on or after 1/7/2019)		
Purchased with	**Income test**	**Asset tested amount[1]**
Ordinary money	• Prior to assessment date: Deemed • From commencement of payments: 60% of annual payment[2]	• Prior to assessment date: Purchase price • From assessment date: 60% of purchase price • From threshold date: 30% of purchase price
Superannuation money	• From commencement of payments: 60% of annual payment	• Prior to assessment date: Nil • From assessment date: 60% of purchase price • From threshold date: 30% of purchase price
Where:	**Assessment day** is For *non-superannuation income streams* either: • the day when the income stream first becomes payable (if under Age Pension age), or • the later of the day the: – income stream is first paid – person reaches age pension age, or – person acquired the income stream For *superannuation income streams* the later of: • meeting the retirement, death, terminal medical condition, permanent incapacity or reaching age 65 conditions of release[3] • when the income stream first becomes payable, or • when the income stream was acquired **Threshold day** The later of either • five years from the assessment day or • a day based on a 65 year old male's life expectancy at assessment date	

1 Applies to income streams that satisfy capital access schedule. If not met, the higher asset value of surrender, death benefit or above assessment applies.

2 From assessment date, there may be no income assessment if commencement of payment is deferred.

3 Social Security (Assessment Day – Conditions of Release) Determination 2019.

Social security – other

Work Bonus	
Available to	People eligible for Age Pension who earn work bonus income
General rule	First $300 of fortnightly work bonus income is excluded from income test
Earn < $300 pf	Unused Work Bonus is credited to an 'income bank' up to a maximum of $7,800
Role of income bank	Accumulates unused credits that can be used to offset future work bonus income exceeding $300 pf
Work bonus 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 • Includes income from self-employment or business income, such as a sole trader or from partnership

Commonwealth Seniors Health Card	
Available to	People of Age Pension age who don't qualify for income support (eg self-funded retirees)
Eligibility	**Annual income limit**[1] applies 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 and Pension Concession Card without having to meet income test at that time or in future. Different rules apply for individuals who were 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

Residential aged care

Basics	
Rates and thresholds	Rates and thresholds are indexed either quarterly or on 20 March and 20 September 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 for 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').

Note: The information in this chapter covers the fees and rules applicable under the post 1/7/2014 system only.

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)

Key rates and thresholds

Indexation	
Rates and thresholds are indexed during the year, key dates being 20 March and 20 September (MPIR is reviewed quarterly on 1 January, 1 April, 1 July and 1 October).	
Rates and thresholds (for period 1 July - 19 September 2020)	
Basic Daily Fee	$52.25
Means tested fee	
Annual cap	$28,087.41
Lifetime cap	$67,409.85
Max accommodation supplement	$58.19
Home cap	$171,535.20
Means tested amount (MTA)	= (income tested component + assets tested component)/364
Means tested fee (MTF)	MTA - Maximum accommodation supplement
Income tested component	(Total assessable income – income free area) x 50% / 364
Income free area	$27,840.80 (single) $27,320.80 (couple, illness separated)
Assets tested component	All of the amounts below are totaled and divided by 364. 17.5% of assets $50,500 – $171,535.20 1% of assets $171,535.20 – $413,605.60 2% of assets above $413,605.60
Maximum RAD	$550,000
Maximum Permissible interest rate (MPIR)	
1/4/2020 - 30/6/2020	4.89%
1/7/2020 - 30/9/2020	4.10%
Calculating DAP from RAD	
DAP = (Unpaid RAD x MPIR) / 365	
Calculating RAC from DAC	
RAC = DAC x 365 / MPIR	

Aged care fees

Types of aged care fees

There are four fees that a person may be required to pay when they enter a Government subsidised residential care facility.

- **Accommodation payment** (payable as a refundable lump sum or daily equivalent payment)
- **Basic daily fee**
- **Means-tested fee**
- **Extra services fee**

Accommodation fee

General information	• Covers cost of accommodation • Payable as a refundable lump sum, an equivalent daily payment, or any combination • Government may subsidise this cost in part or in full for residents with assets and income below certain levels (see next page)
RAD rate for each room	• Must be published on facility's website and generally on **myagedcare.gov.au** • Must be included in Accommodation Agreement • 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 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

Accommodation payment

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

[1] 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).

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 quarterly (or as circumstances change)
- 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

<table>
<tr><th colspan="5">Summary of aged care and social security assessment</th></tr>
<tr><th rowspan="2">If family home is:</th><th colspan="2">Social security</th><th colspan="2">Aged care - MTF</th></tr>
<tr><th>Assets Test</th><th>Income test</th><th>Assets Test</th><th>Income Test</th></tr>
<tr><td>Occupied by spouse</td><td>Not assessed while occupied by spouse</td><td rowspan="3">N/A</td><td rowspan="2">Exempt while occupied by spouse or ‘protected person’[1]</td><td rowspan="3">N/A</td></tr>
<tr><td>Occupied by protected person other than spouse (no rent received)</td><td rowspan="3">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[3]</td></tr>
<tr><td>Vacant</td><td rowspan="3">Capped value of home included when calculating MTA</td></tr>
<tr><td>Rented, entry from 1/1/2017[2]</td><td>Net rent assessed</td><td>Net rent is assessed</td></tr>
<tr><td>Rented, where entry to care before 1/1/2017, and paying at least part of accommodation payment as DAP[4]</td><td colspan="2">Asset value and rental income exempt

Resident assessed as homeowner</td><td>If entered care before 1/1/2016: Net rent is exempt[5]

Entry to care on or after 1/1/2016: Net rent is assessable</td></tr>
</table>

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 Or entry before 1/1/17 and not paying or accruing liability to pay a DAP/DAC.
3 If home is sold during exemption period, proceeds will be immediately assessable and person will be a non-homeowner.
4 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.
5 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 social security implications

Other social security implications	
Rate of pension	'**Illness separated**' rate applies to members of a couple
Rent assistance (RA)	• RA is cancelled • If a spouse or partner remains in rented home, he/she could still be eligible for RA
Assets and income test thresholds	**Higher asset and income cut out thresholds** apply to couples who are illness separated. This applies for pension purposes, and eligibility for CSHC under the income test

Tax implications	
Former home	• If home is immediately sold, generally a full CGT exemption on sale of home (if treated as main residence for full ownership period) • 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

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

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. Where member makes extra contributions to fund premiums: • eligible people may claim personal super contributions as a tax deduction • employees may arrange with their employer to 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 may 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 – benefits are tax-free to insured	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 – income streams section	No

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

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]. Where member makes extra contributions to fund premiums: • eligible people can claim **personal super contributions as a tax deduction** • employees arrange with their employer to 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 may 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 1/7/2011, TPD insurance premiums only fully deductible to extent policy has necessary connection to a liability of fund to provide disability superannuation benefits to members. Since 1/7/2014 funds can only provide insurance benefits that are consistent with superannuation conditions of release. TPD policies taken out after 30/6/2014 must align with 'permanent incapacity' condition of release. Continued provision of benefits to members who took out policies before 1/7/2014 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 or trustee of trust where beneficiary is insured or defined relative of the insured (ITAA97 s118–37)[2], however, capital gain reduced by amount included in assessable income[3]
No (IT 155)	Yes, if recipient is not life insured or defined relative[1] of life insured, or trustee of trust where beneficiary is life insured or defined relative of life insured (ITAA97 s118–37)[2]
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 s118-300)

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 Proceeds are CGT free where trustee distributes them to life insured and/or defined relative of life insured.

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

Critical illness 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 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 may 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 or trustee of trust where beneficiary is the insured or defined relative of the insured (ITAA97 s118–37)[2], however capital gain reduced by amount included in assessable income[3]
No (IT 155)	Yes, if recipient is not life insured or defined relative[1] of life insured or trustee of trust where beneficiary is life insured or defined relative of life insured (ITAA97 s118–37)[2]

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 Proceeds are CGT free where trustee distributes them to life insured or relative of life insured.

3 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[1]
Owned by individual on own life, premiums paid by employer	Employer may claim premiums as tax deduction[2]
Super fund trustee owns on member's life[3]	Fund trustee can claim premiums as tax deduction. Where member makes extra contributions to fund premiums: • eligible people may claim **personal super contributions as a tax deduction** • employees may arrange with their employer to 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 Premiums may not be fully deductible where policy provides lump sum benefits unrelated to absence from employment. Such benefits are usually tax-free as they do not replace income.
2 FBT is not payable as premium is 'otherwise deductible' to employee. FBT may apply on portion of premium where policy provides lump sum benefits unrelated to absence from employment.
3 Since 1/7/2014, superannuation funds can only provide insurance benefits to extent that policy definitions are consistent with superannuation conditions of release. Income protection policies must be consistent with 'temporary incapacity' condition of release. Continued provision of benefits to members who took out policies in their fund before 1/7/2014 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?**
Yes – benefits are assessable to individual	No
Yes (as above)	No
Yes (as above)	No

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