



Tax concessions for PSS pensions

Who should read this fact sheet?

PSS pensioners who would like to know more about tax concessions.

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What you should know up front

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

What components make up my pension?

The following components can make up your pension.

Taxed source (taxed component) - this part of your pension is from a taxed source and includes your post-June 1990 productivity, member components and fund earnings.

Tax-free component - this part of your pension is from a taxed source and is explained in detail on **page 2**.

Untaxed source (untaxed component) - this part of your pension is from an untaxed source and includes your employer components and any pre-July 1990 productivity.

What is a tax offset?

A tax offset reduces the amount of tax you would otherwise pay.

What tax offsets are available?

The tax offsets available on your pension will depend on your age - a 15% offset on your taxed component or a 10% offset on your untaxed component. See below for detailed information on each offset.

Super pension tax offset – 15%

You are eligible to receive this offset if you are:

- > aged 55-59 and any part of your pension was from a taxed source. We will automatically apply the offset to your pension when you turn 55. Your fortnightly tax will also change to the marginal tax rate, less the 15% offset.
- > receiving an invalidity pension. This 15% offset is available to you at any age.
- > receiving a reversionary pension that has a taxed component and your late spouse was under 60. You will receive this 15% offset at any age until you are 60 years old. Once you turn 60, this will become tax-free.

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

Super pension tax offset – 10%

You are eligible to receive this offset if you are:

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

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

Tax-free component for pensions started before 1 July 2007

Before 1 July 2007, some pensioners were eligible to claim the undeducted purchase price (UPP) of the pension as a deductible amount in their annual tax return. From 1 July 2007, the UPP became part of the tax-free component. We convert the old annual deductible amount to a tax-free amount and reflect this in the pension payment.

Tax-free component for pensions started on or after 1 July 2007

If your pension started on or after 1 July 2007, it may have a tax-free component. The tax-free component of your pension will include:

- > your personal contributions paid to the scheme from 1 July 1983
- > the crystallised pre-July 1983 amount.

The crystallised amount is based on the pre-July 1983 portion of your member contributions plus earnings and taxed employer contributions (productivity) plus earnings consolidated as at 1 July 2007.

Pre-July 1983 excess contributions

Before 1 July 1983, there was a cap of \$1,200 per year for contributions to super and life insurance policies that could be claimed as a tax concession. Pre-July 1983 excess contributions are contributions above this maximum amount of \$1,200 per year.

If you have any pre-July 1983 excess contributions, you need to send us this information or give us permission to get this information from the Australian Tax Office (ATO).

Before 1 July 2007, you could claim a concession for these contributions directly from the ATO when you submitted your income tax return. However, for the 2007/08 financial year onwards, we will convert this amount into a tax-free amount and show this on your payment summary. This reduces the PSS income amount assessed for tax.

How do I tell you about my pre-July 1983 excess contributions?

1. Find out if you have any pre-July 1983 excess contributions that we can apply to your pension

You may be eligible for a tax-free amount if you answer 'yes' to the following questions.

- Have you previously claimed a deduction in the D9 field of your income tax return?
- Did your pension start before 1 July 1994?
- Did you choose to take your member contributions as part of your pension?
- Do you have pre-July 1983 excess contributions recorded by the ATO?

If you're not sure if you have a pre-July 1983 amount, you can complete the **Tax-free amount variation** form at www.pss.gov.au and give us permission to ask the ATO for your pre-July 1983 excess contribution information. Or you can request this information from the ATO by calling **13 10 20** with your tax file number or by writing to:

Superannuation, Australian Taxation Office,
PO Box 277, WTC VIC 8005.

2. Fill out the form

If you haven't already told us about your pre-July 1983 excess contributions, complete the **Tax-free amount variation** form at www.pss.gov.au and return it to PSS, PO Box 22, Belconnen ACT 2616. You must include a statement from the ATO outlining your pre-July 1983 excess contributions or give us permission in the form to contact the ATO on your behalf.

3. We will recalculate your tax-free component

When we receive your form, we will recalculate the tax-free component and reduce your taxed component by this amount.

This may reduce the tax you paid in the 2007/08 financial year and this means you can apply to the ATO for a reassessment of the tax you paid in that financial year.

Remember, if you are over 60, you do not pay tax on your taxed or tax-free components, so your tax deductions will not change.

How do I get more information?

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