

## Age of Beneficiary

Tax treatment varies depending on the age of the beneficiary.

## Preservation Age

Varies depending on when a beneficiary was born.

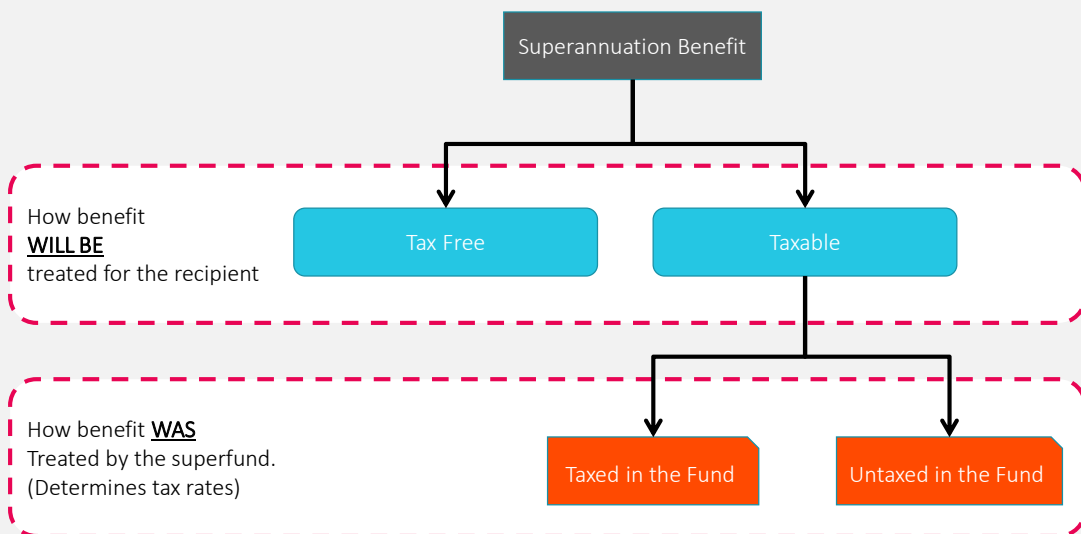


Date of Birth	Preservation Age	Age at 30/06/19
< July 1960	55	59
July 1960 to June 1961	56	58
July 1961 to June 1962	57	57
July 1962 to June 1963	58	56
July 1963 to June 1964	59	55
> June 1964	60	54

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## Taxed or Untaxed

Whether the funds were taxed in the fund, or untaxed in the fund, effects tax treatment for the beneficiary



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## Income Stream or Lump Sum

Whether a benefit is paid as an Income Stream or a Lump Sum effects tax treatment for the beneficiary

### Income Stream

You receive a super income stream as a series of regular payments from your super fund (paid at least annually). The payments must be made over an identifiable period of time and meet the minimum annual payments for super income streams.

The payments don't need to be at the same interval, and the amount paid may also vary. However, a single payment does not qualify as a super income stream. For example, your super payment will not qualify as an income stream if you received a single payment in 2013 and no payments in 2012 and 2014.

Super income streams are a popular investment choice for retirees because they help you manage your income and spending. Super income streams are sometimes called pensions or annuities.

### Lump Sum

If your fund allows it, you may be able to withdraw some or all of your super in a single payment. This payment is called a lump sum.

You may be able to withdraw your super in several lump sums. However, if you ask your fund to make regular payments from your super it may be an income stream.

If you take a lump sum out of your super, it is no longer considered to be super. If you invest the money, earnings on those investments are not taxed as super and may need to be declared in your tax return.

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## Under Preservation Age

	Income Stream	Lump Sum
Taxed in the Fund	Marginal tax rate Disability benefits receive 15% offset.	Lesser of marginal tax rate & 20% + MCL
Untaxed in the Fund	Marginal tax rate	Lesser of marginal tax rate & 30% + MCL

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## Preservation Age to 59

### Amount up to Low Rate Cap (\$205,000 in 2019)

	Income Stream	Lump Sum
Taxed in the Fund	Marginal tax rate less 15% offset	No tax, no MCL
Untaxed in the Fund	Marginal tax rate	Lesser of marginal tax rate & 15% + MCL

### Amount over Low Rate Cap (\$205,000 in 2019)

	Income Stream	Lump Sum
Taxed in the Fund	Marginal tax rate less 15% offset	Lesser of marginal tax rate & 15% + MCL
Untaxed in the Fund	Marginal tax rate	Lesser of marginal tax rate & 30% + MCL Amount over \$1.445m at top marginal rate

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## 60 and Over

	Income Stream	Lump Sum
Taxed in the Fund	No tax, no MCL	No tax, no MCL
Untaxed in the Fund	Marginal tax rate less 10% offset	Lesser of marginal tax rate & 15% + MCL Amount over \$1.445m at top marginal rate

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## Basic Tax Formula

Tax on Taxable Income  
(always at marginal tax rates)



Tax Offsets



Medicare Levy & Surcharge



Tax Payable



## Lump Sum Offset

Calculates tax reduction associated with Lump Sum components

Tax on Whole Taxable Income  
(always at marginal tax rates)



Tax on Lump Sums  
(at special rates)



Tax on Everything Else  
(at marginal tax rates)

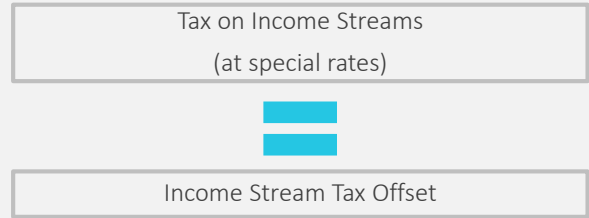


Lump Sum Tax Offset





## Income Stream Offset



## Superannuation Example

A 58 year old receives the following payments:

- Salary: \$50,000
- Superannuation Income Stream: \$10,000
- Superannuation Lump Sum: \$50,000 (whole amount taxed in the fund, taxable / taxed component)
- Has appropriate private health insurance

Tax on Taxable Income (\$110k @ MR)		\$30,167
Less Offsets		
Lump Sum Tax Offset		
Tax at Marginal Rates	\$31,167	
Less Concessional Rates for Lump Sums		
Taxable / Taxed (\$50k @ 0%)	\$0	
Less Marginal Rates for Everything Else		
Salary + Income Stream (\$60k @ MR)	\$11,617	
Total Lump Sum Tax Offset		\$19,550
Income Stream Offset		
Income Stream (\$10k @ 15%)	\$1,500	
Total Income Stream Offset		\$1,500
Total Offsets		\$21,050
Plus Medicare Levy		
Salary + Income Stream (\$60k @ 2%)	\$1,200	
Lump Sum (\$50k @ 0%)	\$0	
Total Medicare Levy		\$1,200
Tax Payable		\$10,317

## Life Benefit Employment Termination Payments

### What Components are Included

- Includes payments made on termination which are negotiated, or granted by an employment award (like a gratuity, or unused sick leave)
- Doesn't include amounts employees are generally entitled to (like annual leave, or long service leave)

### Whole of Income (Wol) Cap

\$180,000 less other income

Other income includes salary, and accrued leave.

Other income does not include sick leave, RFBA, super, amongst other things.

Does not apply to Genuine Redundancy Payments

### Employment Termination Payments (ETP) Cap

\$205,000 in 2019



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## Taxation of Employment Termination Payments

	Under ETP Cap and Under Wol Cap	Over ETP Cap Or Over Wol Cap
Up to Preservation Age	Lesser of Marginal Rate & 30% + MCL	Top Marginal Rate + MCL
Over Preservation Age	Lesser of Marginal Rate & 15% + MCL	

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## ETP Offset

Calculates tax reduction associated with ETPs

Tax on Whole Taxable Income  
(always at marginal tax rates)



Tax on ETP  
(at special rates)



Tax on Everything Else  
(at marginal tax rates)



ETP Tax Offset



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## Genuine Redundancy Payments

Redundancy payments are a type of ETP, and many industrial awards support compulsory payments to employees who's positions are made redundant.

### Tax Free Component

The tax free component of a redundancy payment is calculated as follows.

$$\text{Tax Free Component} = \$10,399 + (\$5,200 \times y)$$

Where  $y$  is the number of whole years of employment.

The remainder of the redundancy is treated as an ETP payment.

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## Termination Example

A 58 year old receives the following payments:

- Salary: \$50,000
- Unused Long Service Leave: \$10,000
- Redundancy Payment: \$40,000
- Has appropriate private health insurance

Taxable Income	
Redundancy	
Tax Free Component (\$10,399 + [\$5,200 x 4])	\$31,199
Assessable Component	\$8,801
Taxable Income (salary + LSL + redundancy)	\$68,801
Tax on Taxable Income (@ MR)	\$14,753
Less Offsets	
ETP Offset	
Tax at Marginal Rates	\$14,753
Less Concessional Rates	
Redundancy (\$8,801 @ 30%)	\$2,640
Less Marginal Rates for Everything Else	
Salary + LSL (\$60k @ MR)	\$11,047
Total ETP Tax Offset	\$1,066
Total Offsets	\$1,066
Plus Medicare Levy	
On Taxable Income (TI @ 2%)	\$1,376
Total Medicare Levy	\$1,376
Tax Payable	\$15,063

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# Thank You

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