

Taxation Offsets for Pensions



Australian Government
Defence Force Retirement &
Death Benefits Scheme

DFo5—May 2010

Who should read this fact sheet?

This fact sheet provides general information about Tax Offsets available to pensioners who are receiving a Defence Force Retirement and Death Benefits (DFRDB) pension.

What is in this fact sheet?

- What components make up my pension?
- What is a Tax Offset?
- What Tax Offsets are available?
- Superannuation Pension Tax Offset - 10% for pensioners aged 60 and over
- Pre July 1983 excess contributions
- Where can you get more information?

What components make up my pension?

Tax Free component

The Tax Free component can be made up of several contribution types, including pre-July 83 contributions and any Undeducted (Non-Concessional contributions) that you paid to the scheme on a fortnightly basis, and were then applied to your pension. You pay no tax on the Tax Free component of your pension.

Taxed component

You may have a Taxed component of your pension if you retired prior to 1994. At age 60, your Taxed component will automatically become Tax Free. This is called the *Taxed* element of your payment summary.

Untaxed component

This component consists of your **Employer** contributions and is called Untaxed as it is paid from the Consolidated Revenue Fund. This component of your pension is taxed as per the tax schedules less the 10% Tax Offset after the age of 60. This is called the *Untaxed element* on your payment summary.

What is a Tax Offset?

A Tax Offset is a reduction in the amount of tax that you pay. Often a Tax Offset is described as a percentage (for example a Tax Offset of 10% to a pension). It is different from a Tax Deduction, which may reduce your marginal tax rate.

What Tax Offsets are available?

There is one Tax Offset that may be available depending on your age, as well as a Tax-free amount.

- A 10% Tax Offset on the *Untaxed* component of a pension paid to pensioners aged 60 and over
- A Tax-free amount

Superannuation Pension Tax Offset - 10% for pensioners aged 60 and over

After the age of 60 the *Untaxed* component of your pension will be taxed at your Marginal Tax Rate, less the 10% Tax Offset every fortnight. The Untaxed component is your total pension less any Tax-free amount.

If you wish to claim this Tax Offset amount annually in your tax return instead of fortnightly, you need to advise us in writing.

If you are receiving a Reversionary pension and your late spouse was over 60 you are eligible for the 10% Tax Offset on the Untaxed component of your pension **regardless of your age.**

Tax-free amount

You do not pay tax on the *Tax Free* component of your pension at any time. At age 60, the *Taxed* component of your pension also becomes tax free. The combined *Tax Free* and *Taxed* components are your new Tax-free amount.

DFRDB Customer Service Centre
1300 001 877

FACT SHEET

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Pre July 1983 excess contributions

What are pre 1983 excess contributions?

These are contributions made to the scheme before 1 July 1983 which exceeded an annual limit of \$1200. These include life insurance premiums (if any).

What has changed?

Previously, if you had pre-July 1983 excess contributions you were able to claim these contributions as a Tax Offset directly from the Australian Taxation Office (ATO) when you submitted your income tax return (by completing the 'D9 field' of your income tax return).

From 2007-08 financial year onwards, we convert this amount into a Tax-free amount and show this on your payment summary. This reduces the DFRDB/DFRB income amount assessed for tax.

The ATO holds pre-July 1983 excess contributions records

If you previously claimed a deduction in the 'D9 field' of your income tax return, you now need to send us this information.

What do I need to do?

If you have not previously notified us of your pre-July 1983 excess contributions, and wish to have this amount converted into a Tax-free amount for the 2007-08 Financial Year onwards, you should follow the steps below:

Step 1: Find out if you have pre-July 1983 excess contributions that can be applied to your pension.

Checklist

Use this checklist to see if you are eligible:

- You paid in excess of \$1200 per year to superannuation or life insurance premiums, prior to 1 July 1983 and have pre-July 1983 excess contributions recorded by the ATO.
- You did not take pre-July 1983 excess contributions as part of your lump sum on exit.

To have pre-July 1983 excess contributions **applied to your pension** you must answer 'yes' to both of the above questions.

Step 2: If you haven't already told us about your pre-July 1983 excess contributions, please fill out the *Tax Free amount variation form D83* at www.dfrdb.gov.au.

To complete this form you will need to :

- Attach a letter from the ATO stating the value of your pre-July 1983 excess contributions. You can request this letter from the ATO by phoning **13 10 20**. Please note we cannot accept documentation issued prior to 1 July 2007. Further instructions for obtaining this documentation are included in the **D83** form.

Step 3: Processing your request

- When we receive your form we will first determine if your pension is eligible for the pre-July 1983 excess contribution Tax Offset.
- If you do have eligible pre-July 1983 excess contributions recorded by the ATO we will recalculate the *Tax Free component* and reduce your *Taxable Taxed component*.
- You then have the option of applying to the ATO for a reassessment of the tax you have paid in the 2008-2009 and 2009-2010 financial years.
- If you are over 60 your tax deductions may not change because you don't pay tax on your *Tax Free component*.

Where can you get more information?

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FAX	02 6272 9618
MAIL	DFRDB PO Box 22 Belconnen ACT 2616
WEB	www.dfrdb.gov.au

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