

Tax table for superannuation lump sums

! FOR PAYMENTS MADE ON OR
AFTER 1 JULY 2012

From 1 July 2012, the temporary flood and cyclone reconstruction levy (flood levy) will no longer apply.

WHO SHOULD USE THIS TABLE?

You should use this table if you make a super lump sum payment to an individual.

➤ For a full list of tax tables, visit our website at www.ato.gov.au/taxtables

! This document is a withholding schedule made by the Commissioner of Taxation in accordance with sections 15-25 and 15-30 of schedule 1 to the *Taxation Administration Act 1953*. It applies to withholding payments covered by paragraph 12-85(a) of schedule 1.



SUPER LUMP SUMS

A super lump sum payment includes lump sum payments paid to an individual who has satisfied a condition of release – for example, retirement or death and lump sum payments to the trustee of a deceased estate.

The following lump sum payments from a super fund, approved deposit fund, retirement savings account or any other super product are subject to withholding:

- payments made to a person because they are a member of a super fund, a depositor of an approved deposit fund, or a holder of a retirement savings account or any other super product
- lump sum payments paid on the death of one person if paid to another person
- a payment when a super pension is exchanged for a lump sum.

A super lump sum paid to the trustee of a deceased estate after the death of a person is not subject to PAYG withholding.

! Lump sum payments from a complying super fund made to individuals who are suffering from a terminal medical condition do not have an amount withheld from the payment.

! Do not allow for any tax offsets or Medicare levy adjustments. Do not withhold any amount for:

- Higher Education Loan Program (HELP) debts
- Financial Supplement (FS) debts.

HOW TO WORK OUT THE WITHHOLDING AMOUNT

If your payee has provided you with their tax file number (TFN)

Calculating a withholding amount for super lump sum

If your payee receives a super lump sum and has provided you with their TFN, you must calculate the amount to withhold by applying the rates set out in table A on page 3.

A super lump sum can be made up of two components:

- a tax-free component
- a taxable component.

You must withhold an amount from the taxable component, including lump sum death benefit paid to non-dependants. Do not withhold from the tax-free component.

If the person entitled to receive the super lump sum asks you to roll over their lump sum, you are generally not liable to withhold from any of the rolled over amount. However, you may be liable to withhold if the benefit being rolled over consists of an amount that is an untaxed element in the fund that exceeds the untaxed plan cap.

! A lump sum death benefit cannot be rolled over – whether paid to dependants or non-dependants.

What if your payee has not provided you with their TFN?

If your payee has received a super lump sum and has not provided you with their TFN before the payment is made, you must withhold the following:

- 46.5% from the taxable component in a payment to a resident payee
- 45% from the taxable component in a payment to a foreign resident payee (ignoring any cents).

! If your payee is over 60 years of age at the date the payment is received, and the lump sum does not contain an element untaxed in the fund, you are not required to withhold where they have not provided their TFN.

If the lump sum contains an element untaxed in the fund, you should withhold from this element at 46.5% for residents or 45% for foreign residents.

TABLE A: Withholding rates for super lump sums

| Income component derived by the payee in the income year | Age of person at the date the payment is received | Component subject to PAYG withholding | Rate of withholding (including Medicare levy) |
|---|---|--|---|
| Member benefit – taxable component – element taxed in the fund | Below preservation age | Whole amount | 21.5% |
| | Preservation age to age 59 | Amount up to low rate cap ¹ | Nil |
| | | Amount above the low rate cap ¹ | 16.5% |
| Aged 60 and above | Whole amount | Nil | |
| Member benefit – taxable component – element untaxed in the fund | Below preservation age | Amount up to untaxed plan cap ² | 31.5% |
| | | Amount above untaxed plan cap ² | 46.5% |
| | Preservation age to age 59 | Amount up to low rate cap ¹ | 16.5% |
| | | Amount above the low rate cap ¹ up to the untaxed plan cap ² | 31.5% |
| | | Amount above untaxed plan cap ² | 46.5% |
| | Aged 60 and above | Amount up to untaxed plan cap ² | 16.5% |
| Amount above untaxed plan cap ² | | 46.5% | |
| Lump sum death benefit paid to non-dependants ⁴ – taxable component – element taxed in the fund | Any | Whole amount | 16.5% |
| Lump sum death benefit paid to non-dependants ⁴ – taxable component – element untaxed in the fund | Any | Whole amount | 31.5% |
| Lump sum death benefit paid to dependants ³ – taxable component – elements taxed and untaxed in the fund | Any | None | Nil |
| Rollover super benefits – taxable component – element taxed in the fund | Any | Whole amount | Nil |
| Rollover super benefits – taxable component – element untaxed in the fund | Any | Amount up to untaxed plan cap ² | Nil |
| | | Amount above untaxed plan cap ² | 46.5% |
| Super lump sum benefits less than \$200 | Any | None ⁵ | Nil |
| Super lump sum benefit (terminally ill recipient) | Any | None | Nil |

1 For the 2012–13 income year, the low rate cap is \$175,000 and is indexed annually. The low rate cap in relation to super lump sums paid to an individual who has reached their preservation age is the maximum amount of the taxable component that is given the lowest rate of tax. The low rate cap is a lifetime limit. That is, if a payee received an element taxed in the fund and an element untaxed in the fund in a lump sum, the total low rate cap allowed for that lump sum cannot exceed the low rate cap that applies. The low rate cap is allocated to the element taxed in the fund first before allocating the remaining low rate cap to the element untaxed in the fund.

2 For the 2012–13 income year, the untaxed plan cap is \$1,255,000 and is indexed annually. For the low rate cap or the untaxed plan cap in later years, phone us on **13 10 20** or visit our website at www.ato.gov.au/super

3 If the lump sum death benefits are being paid to an individual who was a dependant of the deceased, do not withhold amounts from that payment. A dependant includes both child and spouse of the deceased. Child of the deceased includes all of the following:

- an adopted child, stepchild or ex-nuptial child
- a child of the deceased's spouse
- someone who is a child of the deceased within the meaning of the *Family Law Act 1975* (for example, a child who is considered to be a child of a person under a state or territory court order giving effect to a surrogacy agreement).

Spouse of the deceased includes another person (whether the same sex or opposite sex) who:

- the deceased was in a relationship and that was registered under a law of a prescribed state or territory law
- who lived with the deceased on a genuine domestic basis in a relationship as a couple.

A dependant includes any person with whom the deceased had an interdependency relationship. An interdependency relationship includes a close personal relationship between two people who live together, where one or both provides for the financial and domestic support and personal care of the other.

A dependant can also be a person who was a dependent of the deceased just before the latter died. Before accepting that a person is financially dependent, phone us on **13 10 20** for more information.

If the super death benefit is to be paid to the trustee of a deceased estate, an amount should not be withheld.

4 As a result of an amendment to the *Income Tax Assessment Act 1997*, an individual is treated as a death benefits dependant of a deceased person if the deceased died in the line of duty as a member of the defence force, a member of the Australian Federal Police or the police force of a state or territory, or a protective service officer (as defined in the *Australian Federal Police Act 1979*).

5 There is no withholding required from the whole amount if it is paid by a regulated super fund, complying approved deposit fund or retirement savings account provider as a super lump sum and it is the payee's entire benefit.

ROUNDING OF WITHHOLDING AMOUNTS

Withholding amounts calculated by applying this table should be rounded to the nearest dollar. Results of 50 cents or higher are rounded upwards. If a TFN is not provided, ignore cents when calculating withholding amounts.

EXAMPLE

Super lump sum made by a super provider from an element taxed in the fund.

Heather and Dean are members of the AAFund super fund and are aged 56 and 61 respectively. They have decided to retire and take some of their super as a lump sum. The preservation age for both of them is 55.

According to their entitlements, Heather and Dean will both receive a super lump sum benefit of \$200,000 from AAFund. Each super lump sum benefit has a tax-free component of \$20,000 and a taxable component of \$180,000. AAFund is required to withhold an amount under the PAYG withholding system. Heather and Dean have previously provided their respective TFNs to AAFund.

AAFund does not need to withhold from the tax-free component of \$20,000, but must withhold an amount from the taxable component of \$180,000. The taxable component of the super lump sum benefit paid by AAFund is wholly made up of elements taxed in the fund.

a Amount to withhold for Heather:

As Heather is over her preservation age, she is entitled to the low rate cap.

- 1 amount up to low rate cap
(\$175,000 in the 2012–13 income year) = nil
- 2 amount above low rate cap
(\$180,000 – \$175,000) = \$5,000
- 3 amount to withhold from \$5,000 is 16.5%
(from table A) = \$825

Note: The low rate cap is indexed annually.

b Amount to withhold for Dean

As Dean is aged 61 and over the preservation age, no part of his super lump sum payment is subject to withholding.

PAYMENT SUMMARIES

Within **14 days** of making a lump sum payment, you must provide a *PAYG payment summary – superannuation lump sum* (NAT 70947) to the recipient of the super lump sum.

Payment summaries can also be printed using our approved software.

➤ For more information and specifications of our approved software, visit www.ato.gov.au/softwaredevelopers

PRESERVATION AGE

Preservation age is determined using your payee's date of birth. The preservation table below will help with this:

| 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 |
| After 30/6/1964 | 60 |

➤ MORE INFORMATION

Copies of weekly and fortnightly tax tables are available from most newsagents. Newsagents also hold copies of the following:

- *Tax file number declaration* (NAT 3092)
- *Withholding declaration* (NAT 3093).

If you need more information about any of our PAYG withholding tax tables and other PAYG withholding publications, you can:

- visit our website at www.ato.gov.au
- phone us on **13 10 20** for superannuation enquiries
- phone us on **13 28 66** for general PAYG enquiries
- phone our Publications Distribution Service on **1300 720 092** to order our forms or publications, or visit www.ato.gov.au/onlineordering
- write to us at
Australian Taxation Office
PO Box 3524
ALBURY NSW 2640

If you do not speak English well and need help from the ATO, phone the Translating and Interpreting Service on **13 14 50**.

If you are deaf, or have a hearing or speech impairment, phone us through the National Relay Service (NRS) on the numbers listed below:

- TTY users, phone **13 36 77** and ask for the ATO number you need
- Speak and Listen (speech-to-speech relay) users, phone **1300 555 727** and ask for the ATO number you need
- internet relay users, connect to the NRS on www.relayservice.com.au and ask for the ATO number you need.

If you would like further information about the National Relay Service, phone **1800 555 660** or email helpdesk@relayservice.com.au

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