

Schedule 13 – Tax table for superannuation income streams

For payments made on or after 1 July 2017

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* (TAA). It applies to withholding payments covered by paragraph 12-80(a) of Schedule 1 to the TAA.

Using this table

You should use this table if you make a payment of a super income stream, including a:

capped defined benefit income stream

transition to retirement income stream

temporary or permanent disability income stream

Super income streams

A super income stream is a series of regular payments from a superannuation provider when the member has satisfied a condition of release. These regular payments can be paid weekly, fortnightly, monthly, quarterly or annually.

The following payment is **not** a super income stream payment:

commutation of an income stream; this is a super lump sum.

What's New - Defined Benefit Income Cap

As part of the Super Reform measures that apply from 1 July 2017 the legislation introduced a cap on defined benefit income streams. The general defined benefit cap is \$100,000 and is subject to indexation. The cap can also be reduced - see [part E](#). Income above the cap will be subject to additional tax treatment.

Super income streams that did not previously have a withholding obligation are now subject to withholding even if the withholding amount is nil. Changes also apply to the applicable tax offset.

You will now need to consider whether withholding applies on all superannuation income stream payments regardless of the member's age and income level.

Defined Benefit income streams are subject to additional income tax rules where the recipient is 60 years old or over, or death benefits which a dependant receives from a deceased person 60 years old or over.

A *PAYG payment summary - superannuation income stream* is required to be issued to all members regardless of age and withholding amount. For members who are 60 years old or over you will no longer need to populate the Tax Offset field, however you will still need to take this into account when working out their withholding amount.

See also:

[Conditions of release](#)

[Taxation Ruling TR 2013/5: When a super income stream commences and ceases](#)

[Tax table for superannuation lump sums](#)

[Super changes](#)

[Super changes for APRA-regulated funds](#)

[Varying your PAYG withholding](#)

Components of a super income stream

Before you can work out the withholding amount, you must [calculate the components](#) of the super income stream.

A super income stream may have two components:

taxable component which can include either or both of an:

- element taxed in the fund (taxed element)

- element untaxed in the fund (untaxed element).

tax-free component

Tax file number (TFN) declarations

The answers your payees provide on their [Tax file number declaration](#) determine the amount you need to withhold from their payments. A *Tax file number declaration* applies to any payments made after you receive the declaration. If you receive an updated declaration from a payee, it will override the previous one.

If a payee does not give you a valid *Tax file number declaration* within **14 days** of starting a payer/payee relationship, you must complete a *Tax file number declaration* with all available details of the payee and send it to us.

When a TFN has not been provided

You must withhold 47% for residents and 45% for foreign residents from the taxable component (ignoring any cents), if a super income stream payment is made to your payee and all of the following apply:

they have not quoted their TFN

they have not claimed an exemption from quoting their TFN

they have not advised you that they have applied for a TFN or have made an enquiry with us.

If a payee states at question 1 of the *Tax file number declaration* they have lodged a [Tax file number – application or enquiry for individuals](#) with us, they have **28 days** to provide you with their TFN.

If the payee has not given you their TFN within **28 days**, you must withhold 47% from any payment you make to a resident payee and 45% from a foreign resident payee from the relevant element(s) of the taxable component of the super income stream payment (ignoring any cents) unless we tell you not to.

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

Higher Education Loan Program (HELP) debts

Student Start-up Loan (SSL) debts (includes ABSTUDY SSL debts)

Trade Support Loan (TSL) debts

Financial Supplement debts.

Working out the withholding amount

Factors to consider when working out the withholding amount include:

whether the payee is an Australian resident or foreign resident for tax purposes

the age of the payee

the frequency of the income stream payments – for example, fortnightly, monthly

whether the payee is claiming the tax-free threshold

whether the payee is claiming the seniors and pensioners tax offset

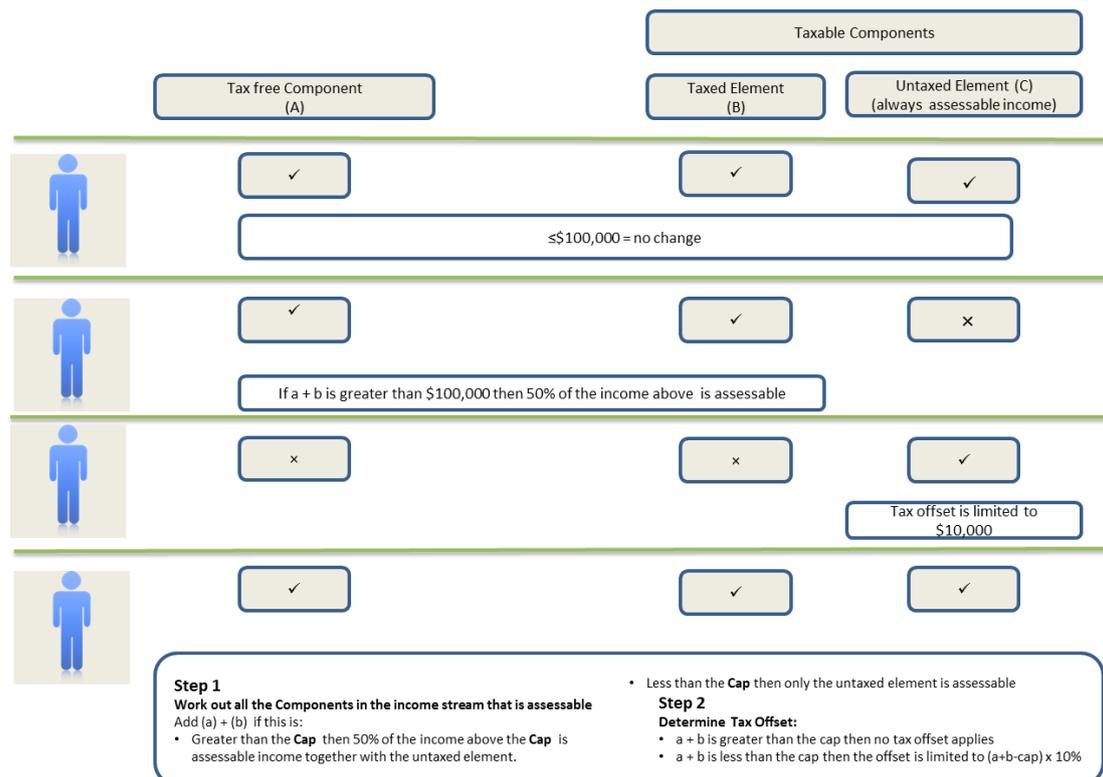
whether the income stream includes an untaxed element (generally payments from state and Commonwealth public sector super schemes)

whether the total of the taxed elements and tax-free component is greater or less than the defined benefit income cap (the Cap)

whether the defined benefit income cap (the Cap) can be reduced (see [part E](#))

whether the income stream is a reversionary death benefit income stream (see [part E](#)).

The following diagram shows the combination of the income stream components and how they are taxed.



Payments to Australian residents

This schedule is divided into five parts. The amount required to be withheld from a super income stream can be calculated using the following parts:

payee is under 60 years old, including disability super income streams and reversionary income streams where the deceased was aged less than 60 – use [part A](#).

payee is under 60 years old, and is in receipt of a reversionary income stream and the deceased was at least 60 years old at the time of death – use [part E](#).

payee turns 60 years old during the financial year or starts their income stream part way through the financial year – use [part E](#).

payee is 60 years old or over and their capped defined benefit income stream payments are from a taxable component - taxed element and tax-free component only – use [part B](#).

payee is 60 years old or over, and receives a taxable component - untaxed element only, or the total capped defined benefit income stream is less than the Cap and they have an untaxed element – use [part C](#).

payee is 60 years old or over, and receives a mixture of the components as a capped defined benefit income stream – use [part D](#).

Payments to foreign residents

If the income stream is to be made to a foreign resident, you will need to check if there is a tax treaty with their country of residence. If the super income stream is assessable in the other country because of the treaty, no withholding is required.

If a foreign resident's income stream is assessable in Australia, you are required to withhold from the payment.

See also:

The full list of [Australian Tax Treaties](#), as maintained by Treasury

[What are tax treaties?](#)

Rounding of withholding amounts

Ignore any cents in an income stream before using any of the steps in this schedule to calculate withholding. Withholding amounts calculated using the steps are rounded to the nearest dollar. Results ending in exactly 50 cents are rounded to the next highest dollar. Do this rounding directly; do not make a preliminary rounding to the nearest cent. Where no TFN has been provided, cents are ignored when withholding amounts are calculated.

Part A: Payee under 60 years old

Use this part where the payee is under 60 years old or if it is a reversionary income stream and both the deceased and the recipient are below 60. If the payee is less than 60 and is in receipt of a reversionary capped defined benefit income stream and the deceased was 60 years or over at the time of death you must use [part E](#).

Taxable component contains taxed and untaxed elements

Withholding steps

Step 1: Use the following table to work out which elements of the taxable component withholding applies to.

How to apply withholding when taxable component contains untaxed element

Taxable component of super income stream contains		Withholding applies to the following amount(s)
Untaxed element	Taxed element	
Yes	Yes	Sum of untaxed and taxed elements
No	Yes	Taxed element
Yes	No	Untaxed element

Step 2: Use the appropriate [PAYG withholding tax table](#) to calculate the withholding amount relevant to the amount worked out in step 1. The tax table you use depends on the period the income stream covers – that is, weekly, fortnightly or monthly.

Note: Some payees may be eligible to claim the seniors and pensioners tax offset (SAPTO). If the payee gives you a *Withholding declaration* indicating they want to claim a SAPTO entitlement through PAYG withholding, you should use the [Tax table for seniors and pensioners](#) to work out the amount to withhold from the amount calculated in step 1.

Step 3: Some payees may be eligible for a tax offset. Use the following table to work out the tax offset amount for the payee.

Super income stream – taxable component

Age	Tax offset
Below preservation age	Nil

Preservation age to under 60 years old	Taxed element × 15%
	Untaxed element - Nil

Disability super income stream – taxable component

Age	Tax offset
Below preservation age	Taxed element × 15%
	Untaxed element - Nil
Preservation age to under 60 years old	Taxed element × 15%
	Untaxed element - Nil

Step 4: For some payees, the application of the offset from step 3 leads to under withholding for their Medicare levy. An offset adjustment is required where the tax offset calculated in step 3 is greater than zero. Use the applicable formulas below to calculate the offset adjustment amount. You will need to [calculate the weekly equivalent](#) of the taxable component if making fortnightly, monthly or quarterly payments. If an offset adjustment is not required set the offset adjustment to zero.

Adjustment amounts per taxable component amount

Taxable component amount (on a weekly basis)	Offset adjustment amount
Less than the Medicare levy threshold for singles	Nil
Greater than the Medicare levy threshold for singles, but less than the Medicare levy shade out point (SOP) for singles	(Taxable component - Medicare levy threshold for singles) x 0.10
Greater than or equal to the Medicare levy SOP for singles, but less than \$934	Taxable component x 0.02
Greater than \$933	Nil

Medicare levy parameters are contained in [Statement of formulas for calculating amounts to be withheld](#)

Step 5: Calculate the notional amount to withhold by first subtracting the tax offset per payment (step 3) from the withholding amount (step 2).

- a. Notional amount to withhold = withholding amount – tax offset

Then compare the notional amount to withhold with the offset adjustment amount calculated at step 4.

If the notional amount to withhold is:

less than the amount calculated at step 4, withhold the amount calculated at step 4

more than the amount calculated at step 4, withhold the notional amount to be withheld.

Tax-free component

Where the income stream is being paid to a payee under 60 years old you do not need to take into consideration their tax-free component when calculating their withholding.

Example

This example uses the PAYG withholding tax tables that apply from 1 July 2017.

Case A: Payee is under 60 years old

Maree, 58, receives a fortnightly capped defined benefit income stream of \$1,200 comprising:

a tax-free component of \$300

a taxable component of \$900.

Maree's preservation age is 58.

Step 1: Maree is 58 years old therefore withholding applies to the taxable component.

Step 2: As Maree is paid fortnightly, use the [Fortnightly tax table](#) to work out the withholding required from the \$900 taxed element. This amount is \$44, assuming that Maree is claiming the tax-free threshold.

Step 3: Maree is entitled to a tax offset.

Tax offset = taxed element x 15%

= \$900 x 15%

= \$135

Step 4: Calculate Maree's fortnightly offset adjustment amount. As Maree's fortnightly payment is more than \$820 (the Medicare levy threshold for singles, on a fortnightly basis) but less than \$1024 (the Medicare levy SOP for singles, on a fortnightly basis), her offset adjustment amount is calculated as:

Offset adjustment amount = (Taxable component - Medicare levy threshold for singles) x 0.10

= (\$900 – \$820) x 0.10

= \$8.00

= \$8 per fortnight (rounded to the nearest dollar)

Maree's offset adjustment amount is \$8 per fortnight.

Step 5: To calculate the notional withholding amount, reduce the withholding amount (\$44 as worked out in step 2) by the value of the tax offset (\$135 as worked out in step 3). That is:

Notional withholding amount = \$44 – \$135

= -\$91

Since the notional withholding amount is negative and less than the offset adjustment amount, the amount to be withheld from Maree's fortnightly super income stream is \$8. This is the offset adjustment amount which will cover the Medicare levy payable.

Part B: Payee 60 years old or over - taxed element and tax-free component

Use this part where the payee is 60 years old or over and their capped defined benefit income stream is made up of a taxed element and tax free component and the payee has received a capped defined benefit superannuation income stream throughout the year.

Withholding steps

Step 1: Convert the income stream you received this period to an annualised amount and use the following table to work out whether withholding applies, and if so, what amount it applies to.

Income Stream Components	Does withholding apply?
Sum of tax-free component and taxed element is less than the Cap	No withholding applies. No further steps are necessary.
Sum of tax-free component and taxed element is greater than the Cap	Withholding applies to 50% of the amount over the Cap. Go to step 2.

Step 2: Calculate the weekly, fortnightly or monthly equivalent of the amount in excess of the Cap. For example, if you pay the payee weekly divide the excess by 52. If you pay fortnightly divide the excess by 26. If you pay monthly divide the excess by 12 (ignore cents in the result).

Step 3: Divide the amount calculated at step 2 by two (ignore cents in the result).

Step 4: Use the appropriate [PAYG withholding tax table](#) to calculate the withholding amount relevant to the amount worked out in step 3. The tax table you use depends on the period the income stream covers – that is, weekly, fortnightly or monthly.

Examples

The examples use the PAYG withholding tax tables that apply from 1 July 2017.

Case B(i): Capped defined benefit income stream where the annual entitlement is under the Cap

Courtney, 61, receives a fortnightly capped defined benefit income stream of \$2,000 comprising of:

a tax-free component of \$200

a taxable component - taxed element of \$1,800.

Courtney is entitled to the full defined benefit income cap amount of \$100,000 as there are no factors present that reduce this cap. The annual equivalent of Courtney's fortnightly super income stream (\$52,000) is less than the defined benefit income cap of \$100,000. As Courtney is over 60 years old and her capped defined benefit income stream is comprised wholly of a taxed element and tax-free component of less than \$100,000 for the income year, no withholding is required.

Case B (ii): Capped defined benefit income stream annual entitlement exceeds the Cap

Example 1

Bill, 63, receives a fortnightly capped defined benefit income stream of \$5,550 comprising of:

a tax-free component of \$550

a taxable component - taxed element of \$5,000.

Bill is entitled to the full defined benefit income cap amount of \$100,000 as there are no factors present that reduce this cap

Step 1 The annual equivalent of Bill's fortnightly capped defined benefit income stream (\$144,300) is greater than the defined benefit income cap of \$100,000. Withholding applies to 50% of the amount over the Cap. Go to step 2.

Step 2 Calculate the fortnightly equivalent of the amount in excess of the Cap.

$$\$144,300 - \$100,000 = \$44,300$$

Bill is paid fortnightly, therefore:

$$\$44,300 / 26 = \$1,703 \text{ (ignoring cents)}$$

Step 3 Divide the amount calculated at step 2 by two.

$$\$1,703 / 2 = \$851 \text{ (ignoring cents)}$$

Step 4 Use the [Fortnightly tax table](#) to calculate the withholding amount relevant to the amount worked out in step 3.

As Bill has claimed the tax-free threshold the withholding amount is \$28.

Part C: Payee 60 years old or over -untaxed element

Use this part where the payee is 60 years old or over and their capped defined benefit income stream is made up of a taxable component - untaxed element only, or their total capped defined benefit income stream is less than the Cap and they have an untaxed element.

Withholding steps

Step 1: Convert the income stream you received this period to an annualised amount. Use the following table to work out the amount of withholding and tax offset that applies.

Income Stream Components			Sum of components	Withholding/Tax Offset applies to the following amount(s)
Tax-Free	Taxed	Untaxed		
No	No	Yes	Equal to or greater than the Cap	Withholding applies to the Untaxed Element and Tax Offset is capped at \$10,000.
Yes	Yes	Yes	Less than the Cap	Withholding applies to the Untaxed Element only and Tax Offset is calculated at 10% of the untaxed element.

Step 2: Use the appropriate [PAYG withholding tax table](#) to calculate the withholding amount relevant to this pay period's taxable component - untaxed element. The tax table you use depends on the period the income stream covers – that is, weekly, fortnightly or monthly.

Note: Some payees may be eligible to claim the seniors and pensioners tax offset (SAPTO). If the payee gives you a *Withholding declaration* indicating they want to claim a SAPTO entitlement through PAYG withholding, you should use the [Tax table for seniors and pensioners](#) to work out the amount to withhold from the amount calculated in step 2.

Step 3: Determine the tax offset

If the untaxed element is less than the cap then:

b. Tax Offset = Untaxed element x10%

If the untaxed element is greater than the Cap then the tax offset is capped at \$10,000.

Step 4: Work out the amount to withhold by subtracting the tax offset per payment (step 3) from the withholding amount (step 2).

c. Amount to withhold = withholding amount – tax offset

If the tax offset amount is greater than the withholding amount, the amount to withhold is nil.

Example

This example uses the PAYG withholding tax tables that apply from 1 July 2017.

Case C: Capped defined benefit income stream comprised of a taxable component - untaxed element only

Vera, 68, receives a weekly super income stream of \$2,000 comprised only of a taxable component - untaxed element.

Step 1 Withholding applies to Vera's taxable component - untaxed element. The annual equivalent of Vera's weekly super income stream ($\$2,000 \times 52 = \$104,000$) is greater than the defined benefit income cap of \$100,000. Therefore, Vera's tax offset is capped at \$10,000 for the income year.

Step 2 Using the [Weekly tax table](#), the withholding amount relevant to the taxable component - untaxed element for \$2,000 is \$543 (Vera has claimed the tax-free threshold).

Step 3 As Vera is over 60 years old she is eligible for a 10% tax offset of the untaxed element.

Tax offset = Untaxed element \times 10% = $\$2,000 \times 10\% = \200

The tax offset amount is capped at \$10,000. This weekly offset amount exceeds this cap ($\$200 \times 52 = \$10,400$). Therefore, the tax offset is reduced to the weekly equivalent of the \$10,000 annual cap amount.

Weekly tax offset = $\$10,000 / 52 = \192 (ignore cents)

Step 4 Work out the amount to withhold by subtracting the tax offset per payment (step 3) from the withholding amount (step 2).

Amount to withhold = withholding amount – tax offset

= $\$543 - \192

= $\$351$

Part D: Payee 60 years old or over - income stream contains all components

Use this part where the payee is 60 years old or over and receives a capped defined benefit income stream for the full income year which includes a mixture of all of the following components:

Taxable component - taxed element

Taxable component - untaxed element

Tax-free component

Withholding steps

Work out the amount subject to withholding

Step 1: Convert the income stream you received this period to an annualised amount.

Then add together all the components that make up the income stream to determine whether you go to step 2 or part C.

Income Stream Components			Sum of components	Next step
Tax-Free	Taxed	Untaxed		
Yes	Yes	Yes	Equal to or greater than the Cap	Go to step 2
Yes	Yes	Yes	Less than the Cap	Go to part C (untaxed component)

Step 2: Add the tax-free component and taxed element. Subtract the cap from this amount.

Step 3: Calculate the weekly, fortnightly or monthly equivalent of the amount at step 2. For example, if you pay the payee weekly divide the excess by 52. If you pay fortnightly divide the excess by 26. If you pay monthly divide the excess by 12 (ignore cents in the result).

Step 4: Divide the amount calculated at step 3 by two (ignore cents in the result). The result is the amount subject to withholding.

Step 5: Calculate the weekly, fortnightly or monthly equivalent of the untaxed element and add this to the amount calculated at step 4.

Step 6: Use the appropriate PAYG withholding tax table to calculate the withholding amount relevant to the amount worked out in step 5. The tax table you use depends on the period the income stream covers – that is, weekly, fortnightly or monthly.

Calculate the tax offset applicable

Step 7: Determine any entitlement to the tax offset. If the amount from step two is equal or greater than the cap then the payee is not entitled to a tax offset.

If the amount at step 2 is less than the cap, the payee is entitled to a tax offset. Apply 10% to this amount. The result is an annual tax offset amount.

Calculate the weekly, fortnightly or monthly equivalent of this annual tax offset amount at step 2. For example, if you pay the payee weekly divide the amount by 52. If you pay fortnightly divide the amount by 26. If you pay monthly divide the amount by 12 (ignore cents in the result).

Work out the amount to withhold

Step 8: Subtract the tax offset per payment (step 7) from the withholding amount (step 6).

d. Amount to withhold = withholding amount – tax offset

Examples

These examples use the PAYG withholding tax tables that apply from 1 July 2017.

Case D: Payee is over 60 years old, and receives all elements of a capped defined benefit income stream

Example 1

Nancy, 75, receives a capped defined benefit income stream for the financial year of \$212,000 comprising of:

taxable component - taxed element \$120,000

taxable component - untaxed element \$62,000

tax-free component \$30,000.

Nancy is paid weekly and claims the tax-free threshold.

Work out the amount subject to withholding

Step 1 Add together all the components.

$\$120,000 + \$62,000 + \$30,000 = \$212,000$

As the sum is over the \$100,000 Cap, proceed to step 2.

Step 2 Add together the tax-free component and taxed element. Subtract the \$100,000 cap from this amount.

Sum of tax-free component and taxed element

$$\$120,000 + \$30,000 = \$150,000$$

Amount in excess of cap

$$\$150,000 - \$100,000 = \$50,000$$

Step 3 Calculate the weekly equivalent of the amount in excess of \$100,000 calculated at step 2.

$$\$50,000 / 52 = \$961 \text{ (ignore cents)}$$

Step 4 Divide the amount calculated at step 3 by two.

$$\$961 / 2 = \$480 \text{ (ignore cents)}$$

Step 5 Calculate the weekly equivalent of the untaxed element of the taxable component \$1,192 (\$62,000/52) and add it to the amount calculated at step 4 (\$480).

$$\$1,192 + \$480 = \$1,672$$

Step 6 Using the [Weekly tax table](#), the withholding amount relevant to the amount calculated in step 5 is \$415.

Calculate the tax offset applicable

Step 7 Determine any entitlement to the tax offset. As the sum of Nancy's taxed element and tax-free component is over \$100,000 she is no longer eligible for a tax offset for the untaxed element.

Work out the amount to withhold

Step 8 Amount to withhold = withholding amount (step 6) – tax offset (step 7)

$$= \$415 - 0$$

Total amount to withhold is \$415.

Example 2

Fred, 68, receives a capped defined benefit income stream for the full financial year of \$115,000 comprising of:

taxable component - taxed element \$82,000

taxable component - untaxed element \$23,000

tax-free component \$10,000.

Fred is paid fortnightly and claims the tax-free threshold.

Work out the amount subject to withholding

Step 1 Add together all the components.

$$\$82,000 + \$23,000 + \$10,000 = \$115,000$$

As the sum is over the \$100,000 Cap, proceed to step 2.

Step 2 Add together the tax-free component and taxed element. Subtract the \$100,000 Cap from the result.

Sum of tax-free component and taxed element.

$$\$10,000 + \$82,000 = \$92,000$$

Amount in excess of cap.

$$\$92,000 - \$100,000 = - \$8,000$$

As \$92,000 is less than \$100,000 there is no excess amount.

Step 3 & Step 4 These steps are not necessary as no excess amount was calculated at step 2.

Step 5 Add the untaxed element of the taxable component \$884 (i.e. fortnightly equivalent of \$23,000) to the amount calculated at step 4 (Nil).

$$\$884 + \text{Nil} = \$884$$

Step 6 Using the [Fortnightly tax table](#), the withholding amount relevant to the amount calculated in step 5 is \$38.

Calculate the tax offset applicable

Step 7 As Fred's tax-free component and taxed element is less than the \$100,000 Cap then he is entitled to a tax offset limited to the amount up to the Cap.

$$\text{Tax offset} = (\$100,000 - \text{amount at step 1}) \times 10\%$$

$$(\$100,000 - \$92,000) \times 10\% = \$800$$

The tax offset amount is capped at \$800.

As Fred is being paid on a fortnightly basis divide the offset by 26.

$$\$800 / 26 = \$30 \text{ (ignore cents).}$$

Work out the amount to withhold

Step 8 Amount to withhold = withholding amount (step 6) – tax offset (step 7)

$$= \$38 - \$30$$

Total amount to withhold is \$8.

Example 3

Bob, 70, receives a capped defined benefit income stream for the full financial year of \$210,000 comprising of:

taxable component - taxed element \$0

taxable component - untaxed element \$180,000

tax-free component - \$30,000.

Bob is paid weekly and claims the tax-free threshold.

Work out the amount subject to withholding

Step 1 Add together all the components.

$$\$0 + \$180,000 + \$30,000 = \$210,000$$

As the sum is over the \$100,000 Cap, proceed to step 2.

Step 2 Add together the tax-free component and taxed element. Subtract the \$100,000 Cap from this amount.

$$\$30,000 + \$0 = \$30,000$$

$$\$30,000 - \$100,000 = -\$70,000$$

As \$30,000 is less than the \$100,000 Cap there is no excess amount.

Step 3 & Step 4 These steps are not necessary as no excess amount was calculated at step 2.

Step 5 Add the untaxed element of the taxable component \$3,461 (i.e. weekly equivalent of \$180,000) to the amount calculated at step 4 (Nil).

$$\$3,461 + \text{Nil} = \$3,461$$

Step 6 Using the [Weekly tax table](#), the withholding amount relevant to the amount calculated in step 5 is \$1,113.

Calculate the tax offset applicable

Step 7 As Bob's tax-free component is less than the \$100,000 Cap then he is entitled to a tax

offset limited to the amount up to the Cap.

Tax offset = $(\$100,000 - \text{amount at step 2}) \times 10\%$

$(\$100,000 - \$30,000) \times 10\% = \$7,000$

The tax offset amount is capped at \$7,000

As Bob is paid weekly divide the offset by 52.

$\$7,000/52 = \134 (ignore cents)

Work out the amount to withhold

Step 8 Amount to withhold = withholding amount (step 6) – tax offset (step 7)

= \$1,113 - \$134

Total amount to withhold is \$979

Part E: Reduction in general defined benefit income cap

Use this part when a reduction in the general defined benefit income cap is required to be calculated due to one of the following circumstances:

where the payee turns 60 years old during the financial year

where the payee starts an income stream part way through a financial year

where the payee starts a reversionary income stream and the payee was under 60 years old and the deceased was over 60 years old.

If any of the above applies the following formula is used to calculate the revised cap:

General defined benefit cap x (1 + number of days remaining in the financial year)

Number of days in financial year

Turning 60 during the financial year

Where a payee is in receipt of a capped defined benefit income stream prior to turning 60, use [part A](#) to calculate the withholding amount applicable for that period.

For the income they receive from the day they turn 60, use the appropriate part of this schedule however their Cap is prorated accordingly.

Case E (i): Turning 60 during the financial year - Reduced cap amount

On 1 July 2017 Chris was 59 years old receiving a capped defined benefit income stream. Chris turns 60 on 3 December 2017.

Chris's income stream paid to him prior to turning 60 will be taxed according to [part A](#), the taxation consequences change when he turns 60 and therefore he will be subject to a different tax treatment.

Chris's reduced defined benefit income cap for the 2017/18 financial year is worked out as follows:

= \$100,000 x (1 day turning 60 + number of days over 60/ Total number of days in financial year)

= \$100,000 x (1+210)/365

= \$100,000 x (211/365)

= \$57,808.21

Chris's reduced defined benefit income cap is \$57,809 (round up to nearest dollar)

Note: You will need to provide a *PAYG payment summary - superannuation income stream* for payments made to the payee before turning 60 and a separate payment summary for payments made to the payee after turning 60.

Case E (ii): Turning 60 during the financial year - Reduced cap amount and withholding calculation

On 1 July 2017 Loraine was 59 years old receiving a capped defined benefit income stream. Loraine turns 60 on 12 September 2017. Up until Loraine's 60th birthday, withholding is calculated using the steps from part A. To calculate withholding on any payment made on or after Loraine's birthday, apply the steps outlined in this example.

Loraine receives a fortnightly income stream of \$5,200 made up of the following:

a tax-free component of \$400

a taxable component - taxed element of \$4,800.

Loraine's income stream paid to her prior to turning 60 will be taxed according to [part A](#). The character of this income changes when she turns 60 and therefore she will be subject to

a different tax treatment.

Lorraine's reduced defined benefit income cap for the 2017/18 financial year is worked out as follows:

$$= \$100,000 \times (1+291)/365$$

$$= \$100,000 \times (292/365)$$

$$= \$100,000 \times 0.80$$

Lorraine's reduced defined benefit income cap is \$80,000.

The annual equivalent of Lorraine's fortnightly super income stream (\$135,200) is greater than the reduced defined benefit income cap of \$80,000.

Step 1 Calculate the fortnightly equivalent of the amount in excess of \$80,000.

$$\$135,200 - \$80,000 = \$55,200$$

Lorraine is paid fortnightly, therefore:

$$\$55,200 / 26 = \$2,123 \text{ (ignoring cents)}$$

Step 2 Divide the amount calculated at step 1 by two.

$$\$2,123 / 2 = \$1,062 \text{ (rounded to the nearest dollar)}$$

Step 3 Use the [Fortnightly tax table](#) to calculate the withholding amount relevant to the amount worked out in step 2.

As Lorraine has claimed the tax-free threshold the withholding amount is \$88.

Starting an income stream during the financial year

Where a payee starts a capped defined benefit income stream during the financial year, their Cap is prorated accordingly.

Case E (iii): Starting an income stream during the financial year

Sarah is 65 years old and she first starts her capped defined benefit income stream on the 1 January 2018.

Sarah's reduced defined benefit income cap for the 2017/18 financial year is worked out as

follows:

$$= \$100,000 \times (1+182)/365$$

$$= \$50,137$$

Sarah's reduced defined benefit income cap is \$50,137.

To calculate withholding use this reduced cap when applying the applicable parts of this schedule.

Reversionary income where the payee is under 60 years old and the deceased was at least 60 years old

Where a payee is under 60 years old and receives reversionary income stream, and the deceased was at least 60 years old, their Cap is prorated accordingly.

If the payee is also receiving their own defined benefit income stream, withholding will need to be calculated using the applicable part of this schedule.

Case E (iv): Reversionary income where the payee is under 60 years old and the deceased was at least 60 years old

Freya, 57, receives a defined benefit income stream in her own right, and her income stream is taxed under [part A](#) of this schedule. Freya receives a *PAYG payment summary - superannuation income stream* with the amounts and applicable tax offset.

Freya's partner died on the 1st of January 2018; Freya's partner was aged 61 at the time of death and was in receipt of a defined benefit income stream with both tax-free components and taxable components. Freya is now entitled to a reversionary income stream.

As Freya's reversionary income stream was subject to concessional tax treatment, Freya's reversionary income stream is also subject to additional taxation arrangements.

As Freya's partner died on the 1st of January 2018 (182days) her defined benefit income cap is reduced from \$100,000 to \$50,137. This cap is then further reduced by the amount of defined benefit income she received from the date of death of her partner.

Freya is paid fortnightly and her own super income for the financial year is \$70,000 which

comprises of a:

taxable component - taxed element \$60,000

taxable component - untaxed element \$0

tax-free component - \$10,000.

Calculate Freya's withholding from her own super income stream

Step 1 Add together Freya's Untaxed and Taxed elements, ignoring the tax-free component as she is aged less than 60. This amount is \$60,000.

Work out fortnightly taxable payments $\$60,000/26 = \$2,307$.

Use the [Fortnightly tax table](#) to calculate withholding = \$472.

Step 2 Determine the tax offset available for Freya.

$15\% \text{ of } \$60,000 = \$9,000$

As Freya is being paid on a fortnightly basis divide the offset by 26.

$\$9,000/26 = \346 (ignore cents).

Step 3 Determine withholding from Freya's own income stream.

Withholding calculated at step 1 - Tax offset calculated at step 2

$\$472 - \$346 = \$126$

Calculate Freya's Defined Benefit Cap

Freya's defined benefit cap is reduced $\$100,000 \times [(1+182)/365] = \$50,137$.

Freya's reduced cap is \$50,137.

As Freya has defined benefit income in her own right it is further reduced by the amount of the taxed element and tax-free component that was paid to her from the date her partner died.

Reversionary Cap $\$50,137 - 183/365 \times 70,000$.

Freya's reduced Defined Benefit Cap is now \$15,041.

Freya's Reversionary income stream comprises of a:

taxable component - taxed element \$30,000

taxable component - untaxed element \$10,000

tax-free component - \$10,000

Freya's total reversionary income stream payment from 1 January 2018 is \$50,000.

Reversionary income in excess of the reduced cap of \$15,041 is \$34,959.

Calculate Freya's withholding on her reversionary income stream

Step 1 Calculate the fortnightly tax-free component and taxed element in excess of the reduced cap.

$$\$40,000 - \$15,041 = \$24,959$$

Freya is paid fortnightly from 1 January 2018, therefore:

$$\$24,959 / 13 = \$1,919 \text{ (ignoring cents)}$$

Step 2 Divide the amount calculated at step 1 by two.

$$\$1,919 / 2 = \$959 \text{ (ignoring cents)}$$

Step 3 Add the untaxed element fortnightly payments.

$$\$10,000 / 13 = \$769$$

Step 4 Add the amounts calculated at step 2 and step 3

$$\$959 + \$769$$

$$= \$1,728$$

Step 5 Use the [Fortnightly tax table](#) to calculate the withholding amount relevant to the amount worked out in step 4.

Freya recognises that she has multiple taxable income streams and therefore has not claimed the tax-free threshold on her reversionary income stream payment, as such the withholding amount on \$1,728 is \$514.

Step 6 As the reversionary income stream tax-free and taxed element components totalled more than Freya's reduced defined benefit income cap, she is not entitled to a tax offset.

PAYG payment summary reporting

Freya will receive two *PAYG payment summaries - superannuation income stream*:

(1) PAYG payment summary - superannuation income stream (personal income stream)

Applicable dates: 01/07/2017- 30/06/2018

Tax withheld \$3,276

Taxable component - taxed element \$60,000

Taxable component - untaxed element \$0

Tax-free component - \$10,000

Tax offset - \$9,000

(2) PAYG payment summary - superannuation income stream (reversionary income stream)

Applicable dates: 01/01/2018 - 30/06/2018

Tax withheld \$6,682

Taxable component - taxed element \$30,000

Taxable component - untaxed element \$10,000

Tax-free component - \$10,000

As the source of this income stream was from an income stream that was subject to concessional tax treatment, no tax offset should be provided on the payment summary. The ATO will calculate any entitlement to a tax offset upon assessment.

Super death benefits

Dependants

Dependants include all children of the deceased under 18 years old, any spouse of the deceased (including a former spouse and a current or former de facto spouse) and 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 financially dependent on the deceased. Before accepting that a person is financially dependent, phone us on **13 10 20**.

Non-dependants

A person who is not a dependant of the deceased is not able to receive a super income stream from the deceased. A super death benefit income stream that was being paid to a non-dependant prior to 1 July 2007 is taxed in the same manner as a super death benefit income stream paid to a dependant.

Reversionary income streams

A death benefit income stream can either be a reversionary or non-reversionary. A reversionary death benefit income stream is a superannuation income stream that reverts to the reversionary beneficiary automatically upon the member's death, if the death benefit payment is not a reversionary income stream then it is treated the same as if it was the member's income stream.

Defined benefit income cap

The defined benefit income cap is relevant where the payee is:

- (a) 60 years or over, or
- (b) under 60 years of age and a death benefits dependant, where the deceased died at 60 years of age or over.

The defined benefit income cap applies, if the payee receives one or more superannuation income stream benefits that are 'defined benefit income' to which 'concessional tax treatment' applies. The defined benefit income cap does not have taxation consequences outside of these circumstances.

The defined benefit income cap is an annual cap that is reset, and may be reduced, each year. From 1 July 2017, the 'defined benefit income cap' limits the amount of tax-free income the payee can receive from a capped defined benefit income stream (pension or annuity).

For the 2017–18 income year, the defined benefit income cap will be \$100,000 (the \$1.6 million general transfer balance cap divided by 16).

For further information refer to [LCG 2017/1](#).

Preservation age

The withholding amount varies depending on whether the payee has reached their preservation age when the payment is made.

Preservation age is determined using your payee's date of birth. For example, if a member was born on 1 October 1960, they will reach their preservation age of 56 on 1 October 2016. The table below will help with this:

Preservation age by date of birth range

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

Cap conversion table

The full year cap on defined benefit income streams is \$100,000 as of 1 July 2017, and is subject to indexation. The cap can also be reduced - see [part E](#).

The table below converts the \$100,000 cap into the weekly, fortnightly or monthly equivalent.

Total income stream	Annual amount less than \$100,000	Annual amount \$100,000 or greater
Weekly equivalent	\$1 to \$1,923	\$1,924 or greater
Fortnightly equivalent	\$1 to \$3,846	\$3,847 or greater
Monthly equivalent	\$1 to \$8,333	\$8,334 or greater

Payment summaries

You must issue a [PAYG payment summary – superannuation income stream](#) to the member for the total of the payments made in the financial year. This must be provided by 14 July. This date may be earlier if the payee requests it.

Payment summaries can also be printed using software that conforms to ATO reporting specifications.

During the year that a payee turns 60 you must issue two separate payment summaries - one for the period prior to the payee turning 60 and one for the period from the payee's 60th birthday.

A payment summary is required to be issued to a payee in receipt of a super income stream even if no tax was withheld.

See also:

Payment summary information and reporting specifications on our [Software developers](#) website

PAYG withholding publications

You can access all PAYG withholding tax tables and other PAYG withholding publications quickly and easily from our website. For more information:

visit [PAYG withholding](#)

refer to [Tax tables](#)

phone us on **13 10 20** for super enquiries.

If you need more information about the correct amount of tax to withhold, phone us on either:

13 28 61 if you are an individual

13 28 66 if you represent a super fund or you are a payer.