

Pension caps, rates and thresholds

This factsheet provides you with information on pension related caps, rates and thresholds for the 2021/2022 financial year.

Tax payable when you start a pension plan

There is generally no tax payable when you start a pension plan.

However, if the taxable component of the amount rolled in has an untaxed element (such as Government unfunded retirement schemes), the concessional contributions tax of 15 percent is charged on entry to the fund up to the maximum available. If the untaxed element exceeds \$1.615 million. Amounts above the untaxed plan cap will be taxed at your top marginal rate.

Minimum income limits

If you invest in a pension plan, you are required by law to drawdown a minimum income amount each year. There is no maximum amount (except account holders in transition to retirement (TTR) pensions who are subject to a maximum drawdown limit of 10 percent of their account balance).

Continuing for the 2020/2021 and 2021/2022 financial years, the drawdown minimum payment amounts (pension minimums) have been temporarily halved for¹:

- Account-based annuities and pensions,
- Allocated annuities and pensions, and
- Market-linked annuities and pensions (a.k.a. TAPs)

Age at 1 July	Default standard minimum drawdown rates ²	Reduced drawdown rate 2021-2022 income year ¹
Under 65	4%	2%
65 - 74	5%	2.5%
75 - 79	6%	3%
80 - 84	7%	3.5%
85 - 89	9%	4.5%
90 - 94	11%	5.5%
95 and above	14%	7%

What options are available?

You are able to amend your payment amount at any time as long as you receive the minimum income per year. You can:

- Continue to draw down at your current level,

- Amend your drawdown instructions to the reduced pension minimum rate noted in the table above, or
- Submit new instructions to vary your pension drawdown amounts.

Changes can be made by email or be made on the Secure Online Portal.

This means the new pension minimums will be applied on an opt-in basis.

Pension commencement and payments

Minimum payment - pension commenced prior to 1 June:

- pro-rata minimum or chosen drawdown percent x account balance by number of days in financial year that includes and follows the pension commencement day.

Pension payment - pension commenced from 1 June to 30 June

- no minimum pension required.

Pension minimum payment when pension is commuted in income year

- treated as a partial pension commutation if remaining account balance is sufficient to meet annual minimum payment, or commutation is a result of death, family law split, or exercise of right under financial product cooling-off period.

TTR Pension moves to retirement phase with removal of maximum drawdown limit of 10 percent:

- when the member attains age 65, or notifies trustee they have met a condition of release for retirement, permanent incapacity or terminal medical condition, or
- upon the death of a member where the TTR pension is paid to a reversionary beneficiary.

General transfer balance cap

Since 1 July 2017, there has been a cap on the total amount of superannuation that can be transferred into a tax free retirement account. For the 2021/2022 financial year, the transfer balance cap is \$1.7 million (lifetime limit indexed annually with CPI and rounded down to the nearest \$100,000).³

If the transfer balance cap is not fully utilised, the amount of the unused cap (based on the highest transfer balance account value) is indexed proportionally in line with increases to the general transfer balance cap.

¹ Changes were made to superannuation as part of the Coronavirus Economic Response Package Omnibus Bill 2020 enacted on 24/03/2020, and extended through the financial years 2020/21 and 2021/22.

² Multiply factor by 1 July account balance - see table for pension commencement/commutation pro-rating.

³ The transfer balance cap increased from \$1.6 million to \$1.7 million on 1 July 2021.

An individual will have a transfer balance account if they receive a retirement phase pension. A transfer balance account can be credited (increased) or debited (decreased) with transactions including:

- credit - existing retirement phase pensions held or commence from 1 July 2017, excess transfer balance earnings.
- debit - full or partial commutation, personal injury contributions, loss arising from fraud or dishonesty, payment in compliance with bankruptcy notice, payment split under family law,

Treatment of transfer balance cap excess

- if the transfer balance account exceeds the cap, the excess amount plus earnings must be moved back to accumulation or withdrawn as a lump sum.
- since 2018/2019, earnings are taxed at 15% for first breaches and 30% for second and subsequent breaches.
- excess transfer balance tax is levied on the individual, not the super fund.

Child death benefit pensions and the transfer balance cap

A modified transfer balance cap applies for a child receiving a death benefit pension. The amount of the modified transfer balance cap is the sum of the cap increments the child receives for each death benefit pension.

The child's transfer balance account will cease when their death benefit pensions are fully commuted (generally age 25, unless they have a qualifying disability).

Tax on investment earnings

Account type	Rate
Account based pension account within the transfer balance cap	nil
Transition to Retirement pension account	15%

Tax on income streams

Regardless of age, the tax free component of income stream payments is tax free.

The below table presents the tax rate payable on the taxable component of income stream payments.

Age	Taxable component
60 and over	All payments are tax free
At or above preservation age and under 60 years	Taxed at personal marginal rates ² with a tax offset of 15%
Under preservation age	Taxed at personal marginal rates with no tax offset. ⁴ (15% tax offset is available if receiving disability super benefit).

Tax on lump sum payment

Regardless of age, the tax free component on lump sum payments is received tax free.

The below table presents tax payable on the taxable components taken as a lump sum payment.

Age	Taxable component – taxed element
60 and over	All payments are tax free
55 to 59	<p>If TFN has been provided: Taxable component is tax free up to the Low Cap Rate (2021/2022 \$225,000) with the balance above the cap subject to 15%⁴</p> <p>If TFN has not been provided: Taxable component is subject to tax at the highest marginal rate¹</p>
Under preservation age	20% ¹

A lump sum benefit paid, from both taxed and untaxed superannuation elements, to an individual because of a terminal medical condition (refer to conditions of release) is non-assessable non-exempt income, regardless of age and payments are tax-free.

Further information on the taxation of income stream and lump sum payments including untaxed elements can be obtained directly from the Australian Taxation Office website at ato.gov.au.

Tax on reversionary pensions

At the time of death

Deceased was 60 years old or older and Reversionary is age 60 years or older.

Type of super	Effective tax rate (including Medicare levy)
Tax free component and or Taxable component	No tax assessable

⁴ Plus Medicare Levy

Deceased was under age 60 and Reversionary is under age 60

Type of super	Effective tax rate (including Medicare levy)
Taxed component – taxed element	Marginal tax rate less 15% tax offset

Further information about tax on reversionary pensions can be found on the ato.gov.au website.

Social security

You may be eligible for Centrelink benefits subject to the income and assets test. Your pension plan account balance and income stream is assessable under Centrelink's income and asset test. On 1 July 2021, age pension age increased to 66 years and 6 months for people born from 1 July 1955 to 31 December 1956, inclusive. If your birthdate is on or after 1 January 1957, you'll have to wait until you turn 67. This will be the age pension age from 1 July 2023.

Age Pension

The full or maximum (normal) rate of pension that can be received if you are eligible for an age pension is:

Status (including pension and energy supplement)	Maximum pension amount
Single	\$952.70 p.f.
Couple living together	\$1,436.20 p.f.
Couple living apart due to ill health	\$952.70 p.f.

Asset test

As at 1 July 2021, pensions reduce when your assets amount to more than the amounts below.

If you're	Homeowner	Non-homeowner
Single	\$270,500	\$487,000
A couple combined, including separated due to illness and 1 partner eligible	\$405,000	\$621,500

Pension reduces by \$78 p.a. per \$1,000 of assets over full pension thresholds.

Part pensions

As at 1 July 2021, part pensions cancel when your assets amount to more than the amounts below. Your limits are higher if you get Rent Assistance with your pension.

If you're	Homeowner	Non-homeowner
Single	\$588,250	\$804,750
Couple combined, including 1 partner eligible	\$884,000	\$1,100,500
Couple, separated due to illness, combined	\$1,040,500	\$1,257,000

Income test

Deeming is a set of rules used to work out the income created from your financial assets. It assumes these assets earn a set rate of income, no matter what they really earn.

The current deeming rates and thresholds as at 1 July 2021 are outlined below.

	Thresholds	Deeming rate percent
Single	Under \$53,600 Over \$53,600	0.25% 2.25%
A couple (each)	Under \$98,000 Over \$89,000	0.25% 2.25%

Pension standard incomes test (Applicable for Age, Wife, Widow, Carer, Disability)

As at 1 July 2021, deemed income reduces the age pension by 50 cents per dollar earned from when income earnings are \$180 p.f. for a single, and \$320 p.f. for a couple, with age pension cut off amounts as follows:

When deemed income for	Income cut off limit
Single	\$2,085.40
Couple living together	\$3,192.40
Couple living apart due to ill health	\$4,130.80

Your age pension cut-off point will be higher if you receive the work bonus.

Work bonus

If you have	2021/2022
Employment/self-employment income exempt from income test	\$300 p.f.
Maximum accrued unused work bonus	\$7,800 p.a.
Effective employment income free amount*	Amount p.a.
Single	\$12,480
Couple (combined)	\$23,920

*Represents the maximum employment income that can be received without impacting age pension entitlements (assuming no other income)

Where can I get more information?

From time to time these may change as a result of new legislation or the start of a new financial year. For further details, refer to <https://www.ato.gov.au> and <https://www.servicesaustralia.gov.au/individuals/services/centrelink/age-pension> for details on information and benefits applicable to you.

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