

Pension caps, rates and thresholds

This factsheet provides you with information on pension related caps, rates and thresholds for the 2019/20 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 \$1.515 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).

For the remainder of the 2019/2020 financial year and the 2020/2021 full financial year, the drawdown minimum payment amounts (pension minimums) have been 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 minimum drawdown rates	Reduced rate for 2019-20 and 2020-21 income years
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 or above	14%	7%

What options are available?

You can:

- Continue to draw down at your current pre-existing level,
- Amend your current drawdown instructions to the new pension minimum, or
- Submit new instructions to vary your pension drawdown amounts.

Changes can be made by email or be made on the Secure Online Portal. If we do not receive any new instruction from you to amend your pension payments, the Trustees' default position is for the administrator to continue to drawdown pension payments at the pre-existing level.

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

Transfer balance cap

From 1 July 2017, there is a cap on the total amount of superannuation that can be transferred into a tax free retirement account. For the 2019/20 financial year, the transfer balance cap is \$1.6 million.

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	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. ² (15% tax offset is available if receiving disability super benefit).

Tax on lump sum payment

Regardless of age, 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.

¹ Changes were made to superannuation as part of the Coronavirus Economic Response Package Omnibus Bill 2020 enacted on 24/03/2020.

² Plus Medicare Levy

Age	Taxable component – taxed element
60 and over	All payments are tax free
55 to 59	If TFN has been provided: Taxable component is tax free up to the Low Cap Rate (2019/20 \$210,000) with the balance above the cap subject to 15% ¹ If TFN has not been provided: Taxable component is subject to tax at the highest marginal rate ¹
Under preservation age	20% ¹

Tax is payable on the 'untaxed element' of a lump sum payment. Further information on the taxation of lump sum payments 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 any age and Reversionary is age 60 or over and taxable element is above defined benefit income cap AND

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

Type of super	Effective tax rate (including Medicare levy)
Tax free and or Taxable component – taxed element is above defined benefit income cap	50% of the amount above cap is assessed at marginal tax rates
Tax free component and or Taxable component – taxed element is below defined benefit income cap	No tax assessable
Taxable component – untaxed element	At your marginal tax rate less any tax offset

Deceased was under age 60 and Reversionary is under age 60

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

Further information 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.

Asset test

Age Pension

As at 1 July 2019, pensions reduce when your assets are more than the amounts below.

If you're	Homeowner	Non-homeowner
Single	\$263,250	\$473,750
A couple combined, including separated due to illness and 1 partner eligible	\$394,500	\$605,000

Part Pensions

As at 1 July 2019, part pensions cancel when your assets are more than the amounts below. Your limits are higher if you get Rent Assistance with your pension.

If you're	Homeowner	Non-homeowner
Single	\$578,250	\$788,750
Couple combined, including 1 partner eligible	\$869,500	\$1,080,000
Couple, separated due to illness, combined	\$1,024,500	\$1,235,000

Transitional rate pensions

As at 1 July 2019, transitional rate pensions cancel when your assets are more than the amounts below. Your limits are higher if you get Rent Assistance with your pension.

If you're	Homeowner	Non-homeowner
Single	\$526,500	\$737,000
Couple combined, including 1 partner eligible	\$819,500	\$1,030,000
A couple, separated due to illness, combined	\$921,000	\$1,131,500

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.

Deeming rates are lowering on 1 May 2020 The current deeming rates and thresholds as at 1 July 2019 are outlined below.

	Thresholds	Deeming rates	Deeming rates from 1 May 2020
Single	Under \$51,800	1.00%	0.25%
	Over \$51,800	3.00%	2.25%
A couple (each)	Under \$86,200	1.00%	0.25%
	Over \$86,200	3.00%	2.25%

¹ Plus Medicare Levy
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Pension Standard Incomes Test (Applicable for Age, Wife, Widow, Carer, Disability)

As at 1 July 2019, if the income test deemed income is more than per fortnight \$174 for a single person and \$308 for a couple (living together or apart due to ill health) the pension will reduce by 50c for each dollar over the full pension limit. Your pension cut off point may be higher if you receive rent assistance, or you have dependent children. Your Age Pension cut-off point will be higher if you get the Work Bonus. The cut off amounts are below:

When deemed income for	Loss of Pension per fortnight
Single	\$2,062.60
Couple living together	\$3,155.20
Couple living apart due to ill health	\$4,085.20

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 ato.gov.au and humanservices.gov.au. for details on information and benefits applicable to you.

Contact us

Phone: 1300 862 862 | Email: service@umaservice.com.au | Website: www.auspracsuper.com.au

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