

How are superannuation benefits taxed?

Lump sum benefits

The taxation of lump sum benefits depends on the composition of the benefit and the age of the person receiving the benefits.

Any lump sum benefits received after 1 July 2007 by a person age 60 or more are tax free.

If the person is under age 60 it becomes more complex. Basically the pre-1 July 2007 rules apply and these are summarized in the following table:

Component	Description of component	Tax Payable
Tax-free component	The tax free component at 1 July 2007 plus any non-concessional (ie un-deducted) contributions after 1 July 2007	Nil%
Taxable component	Taxable component (ie the benefit paid less the tax-free component, if any)	Age 60 or older: nil% Between age 55 and preservation age: nil % on the first \$140,000 and 16.5% on the remainder Age less than preservation age: 21.5%

Pension benefits

The taxation of pension benefits also depends on the composition of the benefit and the age of the person receiving the benefits.

Any pension benefits received after 1 July 2007 by a person age 60 or more are tax free.

As is the case with lump sum benefits, if the person is under age 60 it becomes more complex. Basically the pre-1 July 2007 rules apply and these are summarized in the following table:

Component	Age/disability status	Tax payable (plus Medicare levy of 1.5%)
Taxable component paid by a taxed fund.	Under age 55 and no disability	Marginal tax rates apply to the whole amount
	Between age 55 and 60 or under a disability	Marginal tax rates apply to the whole amount, less a 15% offset on the whole amount
	Age 60 and above	Tax free
Taxable component paid by an untaxed fund (rare for most clients)	Under age 55	Marginal tax rates apply to the whole amount
	Between age 55 and 60	Marginal tax rates apply to the whole amount
	Age 60 and above	Marginal tax rates apply to the whole amount, less a 15% offset on the whole amount
Tax-free component	Any age	Always tax free