



Taxation Administration Act

Variation to the rate of withholding for certain superannuation income stream beneficiaries who turn 60 during the financial year

I, Erin Kathleen Holland, Deputy Commissioner of Taxation, make this instrument under section 15-15 of Schedule 1 to the *Taxation Administration Act 1953*.

Dated: 15 June 2007

Erin Holland

Deputy Commissioner of Taxation

1 Name of instrument

This instrument is the *Taxation Administration Act - Variation to the rate of withholding for certain superannuation income stream beneficiaries who turn 60 during the financial year*.

2 Commencement

This instrument commences on 1 July 2007.

3 Purpose

Payments from a taxed source made to a superannuation beneficiary who has turned 60 years of age are categorised as non-assessable non-exempt income (that is, tax free). Prior to the age of 60, withholding from superannuation income streams is calculated according to the relevant withholding schedule made under section 15-25 of Schedule 1 to the *Taxation Administration Act 1953*.

Using that schedule would potentially cause excessive amounts to be withheld from payments made in the financial year in which a payee turns 60, for payments made in the period prior to the payee's birthday. This variation replaces the amount required to be withheld from these payments to an amount which more accurately matches the tax which will ultimately be payable on that income.

4 Variation to the rate of withholding

This variation applies to payments that:

- are covered by paragraph 12-80(a) of Schedule 1 to the *Taxation Administration Act 1953*
- include a taxed element only, and
- are paid to a payee who is aged 59 years, in the financial year in which that payee's 60th birthday occurs.

and the relevant payment is greater than:

\$658 if paid weekly,

\$1311 if paid fortnightly, or

\$2,842 if paid monthly.

The amount of withholding from the taxed element of these payments is the amount calculated using the following rules.

RULES FOR CALCULATING VARIED WITHHOLDING AMOUNT

Calculate the adjusted withholding amount

Step 1(a)

Calculate the amount of assessable income the payee will receive before they turn 60.

Assessable income before 60 = (payment per pay period x number of pay periods before 60)

Step 1(b)

Turn the amount calculated at **Step 1(a)** into an average payment per pay period, as if spread over whole year.

Assessable income before 60 / total number of pay periods in the year

The result is the payee's *adjusted average payment*.

Step 2

Convert the *adjusted average payment* calculated in **Step 1(b)** to its weekly equivalent. Where the payments are made weekly, simply ignore any cents and add 99 cents.

If the payments are made fortnightly or monthly then find the weekly equivalent with the following:

- fortnightly payments - divide the sum of the fortnightly payment by two. Ignore any cents in the result and then add 99 cents.

or

- monthly, obtain the sum of the monthly payment (if the result is an amount ending in 33 cents, add one cent), multiply this amount by 3 and then divide by 13. Ignore any cents in the result and then add 99 cents.

Step 3

Calculate the withholding amount on the figure calculated in **Step 2**, using the appropriate formula from *Statement of formulas for calculating amounts to be withheld* (NAT 1004) or using the tables in *Weekly tax table* (NAT 1005).

If the payments are made fortnightly or monthly calculate the withholding amounts as follows:

- fortnightly payments – determine the weekly withholding. Multiply this amount by two.

or

- monthly payments – determine the weekly withholding. Multiply this amount by 13, divide the product by 3.

Step 4

Calculate the applicable superannuation tax offset.

adjusted average payment (step 1(b)) $\times$ 15% = superannuation tax offset

Step 5

Calculate the amount to be withheld per payment.

Amount to be withheld = Withholding amount (**Step 3**) *minus* tax offset per average payment (**Step 4**)

Round this number to the nearest dollar.

If the amount to be withheld is less than zero, then do not withhold any amount from the individuals superannuation income stream.

ALTERNATIVE LOOK UP TABLE

As an alternative to calculating the reduced withholding amount using the rules above, the Tax Office will publish a look up table (NAT 71173) providing the relevant amounts by which to reduce the withholding amounts calculated in *Tax Table for Superannuation Income Streams* (NAT 70982).

The table will be published before 1 July 2007.

EXAMPLE CALCULATIONS:

Example 1

Tony is age 58 and receives a superannuation income stream from a taxed source. Tony will not have any variation in his withholding, as he does not turn 60 in the coming year.

Example 2

Sally is age 59 and is receiving a superannuation income stream from a taxed source which commenced before 1 July 2007. Sally receives a fortnightly pension of \$1,560. She will turn 60 on 8 January 2008, and her preservation age is 55. Her super fund will make 14 payments before she turns 60, and 12 payments after.

As Sally's pension is from a taxed source, she will not have to pay any tax on this after she turns 60. As such, Sally's withholding should be varied. Sally has claimed the tax free threshold and is not entitled to leave loading.

Calculate the adjusted withholding amount

Step 1 (a)

Calculate Sally's assessable income paid before she turns 60.

Assessable income before 60: $\$1,560 \times 14 = \$21,840$

Step 1 (b)

Turn the above payment into an *adjusted average payment*.

Adjusted average payment: $\$21,840 / 26 = \840.00 (rounded to the nearest dollar)

Step 2

Calculate Sally's *adjusted weekly payment amount*.

Sally's adjusted weekly amount: $\$840.00 / 2$

$= \$420.99$ (ignoring cents, adding 0.99)

Step 3

Calculate withholding on Sally's adjusted weekly payment amount.

Withholding $= \$420.99 \times 0.1650 = 16.7308$

$= \$52.7326$

$= \$53$ per week (rounded to the nearest dollar)

Fortnightly withholding: $\$53 \times 2 = \106 per fortnight

Step 4

Calculate the per payment superannuation tax offset Sally is entitled to, based on her adjusted payment amount.

Superannuation tax offset per payment: $\$840 \times 15\% = \126

Step 5

Calculate Sally's total withholding amount.

Amount to be withheld: $\$106 - \$126 = -\$20$

As this amount is less than 0, Sally's withholding amount is \$0 per fortnight.

Example 3

Scott is aged 59 and is receiving a superannuation income stream from a taxed source which commenced before 1 July 2007. Scott receives a weekly pension of \$1,125. He will receive 42 payments before turning 60, and 10 after. Scott's preservation age is 55.

As Scott's pension is from a taxed source, he will not have to pay any tax on this after he turns 60. Scott's withholding should be varied. Scott has claimed the tax free threshold and is not entitled to leave loading.

Calculate the adjusted withholding amount**Step 1 (a)**

Calculate Scott's assessable income paid before he turns 60.

Assessable income before 60: $\$1,125 \times 42 = \$47,250$

Step 1 (b)

Turn the above payment into an *adjusted average payment*.

Adjusted average payment: $\$47,250 / 52 = \909 (rounded to the nearest dollar)

Step 2

Calculate withholding on Scott's *adjusted weekly payment* amount.

Scott's adjusted weekly amount: $\$909 \times 0.99 = \909.99

Step 3

Calculate withholding on Scott's *adjusted weekly payment* amount.

Withholding = $\$909.99 \times 0.3150 = 103.2694$

= \$183.3775

= \$183 per week (rounded to the nearest dollar)

Step 4

Calculate the per payment superannuation tax offset that Scott is entitled to, based on his *adjusted weekly payment* amount.

Superannuation tax offset per payment: $\$909 \times 15\% = \136 (rounded to the nearest dollar)

Step 5

Calculate Scott's withholding amount.

Amount to be withheld: $\$183 - \$136 = \$47$

So Scott's withholding amount is \$47 per week.