

# Taxation

## Who should read this information?

You may wish to consider the general information contained in this document if you are a member or beneficiary of one of the following schemes:

- Northern Territory Government and Public Authorities' Superannuation Scheme (NTGPASS)
- Northern Territory Supplementary Superannuation Scheme (NTSSS)
- Northern Territory Government Death and Invalidation Scheme (NTGDIS)
- Northern Territory Police Supplementary Benefit Scheme (NTPSBS)
- Legislative Assembly Members' Pension Scheme (LAMS)

## Tax file number

Under the *Superannuation Industry (Supervision) Act 1993*, super funds are authorised to collect, use and disclose your tax file number (TFN), for lawful purposes. Declining to quote your tax file number to the Northern Territory Superannuation Office (NTSO) is not an offence. However, by providing your TFN, among other things, you are allowing the NTSO to:

- find or identify other superannuation accounts you may have with the NTSO
- work out any tax payable
- advise the Australian Taxation Office (ATO) for the purposes of validating your TFN
- supply your TFN to another superannuation fund if your benefit is to be transferred or rolled over to that other fund (unless you request in writing that this not be done).

If you do not provide your TFN:

- it may be more difficult to find your other superannuation accounts (if any)
- other than the tax that may ordinarily apply, you may pay more tax than you need to.

To rollover your superannuation accounts to another regulated super fund, your TFN can be used as proof of your ID and is verified with the ATO. However if this is unsuccessful, other ID information may be requested.

## Taxation of cash (lump sum) benefits

If you have met a condition of release under superannuation legislation, you may wish to take your benefit as a cash lump sum (see [Preservation of benefits](#)). Different tax rates apply when taking a benefit as a cash lump sum, depending on your age and whether the benefit comprises elements that are tax free, taxed and/or untaxed (see Table 1).

Table 1 – Taxation of cash (lump sum) benefits

Component	Tax applicable <sup>1</sup>
<b>Tax free</b>	A tax-free component is exempt from tax
<b>Taxed element</b>	
Under preservation age	20%
Preservation age to 59	0% to the low rate cap <sup>2</sup> 15% over the low rate cap <sup>2</sup>
Age 60 or over	Tax free
<b>Untaxed element</b>	
Under preservation age	30% up to low rate \$1.705 million
Preservation age to 59	15% up to low rate cap <sup>2</sup> 30% over low rate cap <sup>2</sup> up to \$1.705 million 45% over \$1.705 million
Age 60 or over	15% up to \$1.705 million 45% over \$1.705 million

1 Plus Medicare Levy (2%).

2 Low rate cap is a lifetime cap and for 2023-24 is \$235 000.

## Preservation of benefits

Preserved benefits must remain in a superannuation fund until you meet one of these conditions of release:

- you are retired because you have reached your preservation age (see Table 2) and do not intend working more than 10 hours per week
- you are aged between 60 and 64 at the time an arrangement under which you were gainfully employed has come to an end
- you have reached age 65, irrespective of whether you are still working
- you retire on the grounds of 'permanent incapacity' as defined in superannuation legislation
- you have a 'terminal medical condition' as defined in superannuation legislation
- your death.

**Note:** Once you meet one of these conditions, the whole of your benefits become non-preserved, and can generally be paid to you (or your estate on death) as a lump sum (subject to you also satisfying the requirements for the payment of a benefit under your particular scheme, such as cessation of scheme membership for NTGPASS and NTSSS members).

**Table 2: Preservation ages**

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

## Tax treatment of NTGPASS and NTSSS benefits

The NTGPASS and NTSSS are employer-financed benefits paid as a lump sum. As employer-financed benefits they consist of taxable (untaxed) components, less any benefit in respect of pre-1983 service. The NTGPASS and NTSSS do not consist of any taxable (taxed) components.

Regardless of your age, the taxable (untaxed) elements of your benefits will have 15% tax deducted on transfer to a pension or external superannuation fund.

Any benefit in respect of pre-1 July 1983 service, or post-June 1994 invalidity component will be crystallised as a tax-free component.

## Tax treatment of lump sum death benefits

The NTSO does not withhold tax from lump sum death benefits where they are paid directly to the deceased's estate. Tax may be withheld in circumstances where a payment is made directly to a beneficiary who is not a death benefit dependant for tax purposes. Whether a death benefit is subject to taxation in the hands of a beneficiary can depend on various circumstances, including whether the Australian Tax Office (ATO) deems the beneficiary to be a [dependant](#).

## Tax treatment of lump sum invalidity benefits

If you have been retired on the grounds of invalidity, your invalidity benefits from either NTGPASS or NTGDIS will comprise of a taxable (that is, untaxed) component and a tax-free component. The tax-free component is exempt from tax.

The untaxed component of your benefit will have 15% tax deducted on transfer to a pension or external superannuation fund. An additional 2% tax, for the Medicare levy, will be deducted if the benefit is paid to you directly.

Please refer to the above section [Taxation of cash \(lump sum\) benefits](#) for the applicable tax rates to invalidity benefits.

## Tax treatment of superannuation lump sums for terminally ill members

The *Income Tax Assessment Act 1997* and *Superannuation Industry (Supervision) Regulations 1994* allow people with a terminal medical condition to access lump sum benefits from their superannuation fund tax-free.

Under that legislation, a member is taken to be terminally ill if two medical practitioners (one of whom must be a specialist practicing in an area related to the illness or injury suffered by the member) certify that the member suffers from an illness, or has incurred an injury, that is likely to result in the death of the member within a period that is not more than 24 months after the date of certification.

A benefit paid to a person with a terminal illness cannot be rolled over to another superannuation fund.

For further information about the process of invalidity benefits including terminally ill members please email [ntsuperannuation@nt.gov.au](mailto:ntsuperannuation@nt.gov.au) or visit the website, [www.super.nt.gov.au](http://www.super.nt.gov.au).

## Tax treatment of pensions

Pensions are subject to normal PAYG tax deductions, in the same way that a salary is subject to fortnightly tax deductions. However, depending on the components that make up your pension and your age when your pension is paid, you may be eligible to receive tax concessions (see Table 3).

**Table 3: Taxation of pensions**

Component	Tax Applicable
<b>Tax free<sup>1</sup></b>	A tax-free component is exempt from tax up to a cap
<b>Taxed element</b>	
Under preservation age	Marginal tax rates
Preservation age to 59	Marginal tax rates – 15% pension tax offset applied
Age 60 or over <sup>1</sup>	Tax free up to a cap
<b>Untaxed element</b>	
Under preservation age	Marginal tax rates
Preservation age to 59	Marginal tax rates
Age 60 or over	Marginal tax rates less an offset <sup>2</sup>

<sup>1</sup> For members aged 60 or over, the tax concessions on your pension are limited to defined benefit pension amounts paid from tax free and taxed sources up to \$118,750 per annum. Where the pension from your tax free and taxed sources exceeds \$118,750 per annum, 50% of the pension amount in excess of \$118,750 will be assessable income.

<sup>2</sup> For defined benefit pensions where some or all of your pension is paid from an untaxed source, a 10% tax offset will apply to the untaxed component to the extent that all pension components do not exceed \$118,750 per annum. If the whole of the pension is paid from an untaxed source the offset will be capped at \$11,875 per annum. Where your pension consists of multiple sources (tax free, taxed and untaxed), the tax free and taxed sources are considered first, followed by benefits from any untaxed source.

## Superannuation surcharge

The superannuation contributions surcharge was a Commonwealth Government tax on employer contributions made after 20 August 1986 and before 1 July 2005 to superannuation funds for high-income earners. The superannuation surcharge was abolished from 1 July 2005. Surcharge debts accrued prior to this date are still payable and accrue interest at the 10-year Commonwealth Treasury bond rate. Any outstanding surcharge debt you have will be deducted from your benefit at the time your benefit is paid. Please contact NTSO if you wish to make a payment against your surcharge debt before claiming your benefit.

## More information

The information made available in this document does not consider the taxation implications for persons in receipt of superannuation benefits, superannuation lump sums or pensions from multiple sources.

We cannot provide personal financial advice. If you require assistance, you can seek the services of a qualified professional.

The [MoneySmart website](#) provides advice on how to choose a financial advisor.

For general information, email [ntsuperannuation@nt.gov.au](mailto:ntsuperannuation@nt.gov.au) or visit the website, [www.super.nt.gov.au](http://www.super.nt.gov.au).

## Disclaimer

The information in this document is provided as a guide only and should not be relied upon for making financial commitments or decisions.

The Commissioner of Superannuation and the Northern Territory of Australia accept no responsibility for any losses arising from any use or reliance upon the information or conclusions reached using the information.

It is expected that before you make any decision you will make your own inquiries, whether with a financial or tax advisor, or by contacting the Australian Taxation Office.