

2020–21 Term Allocated Pension Payment Information Statement Guide

This guide will help you to complete your 2020–21 tax return using your 2020–21 PAYG payment summary and Pension Payment Information Statement from Colonial First State.

This guide helps you in three ways

- 1 Explains how to include income from your Colonial First State term allocated pension in your personal tax return.
- 2 Explains how to understand the terms used in your Pension Payment Information Statement.
- 3 Answers some 'Frequently asked questions' that might save you a phone call. See page 4 of this guide.

Please refer to the *Individual tax return instructions 2021* for further information on whether you may need to lodge a tax return.

To use this guide, you will need:

- your PAYG payment summary, and the payment summaries from any other income sources.
- a copy of the ATO Individual tax return instructions 2021.
- a copy of the ATO Tax return for individuals 2021.

You may wish to give this guide to your accountant or tax agent. This guide is to be used for Australian resident individuals only.

**This guide contains general information and is not tax advice.
Please contact your tax agent or accountant about personal tax matters.**

For general enquiries about your Colonial First State investments, please refer to 'Frequently asked questions' on page 4, or call Investor Services on 13 13 36, Monday to Friday, 8am to 7pm (Sydney time). Please note that Investor Services cannot provide tax advice, even if it is general in nature. You can view this guide by clicking on 'Find a Form' at www.cfs.com.au and selecting the 'Tax Guides' tab.

Please refer to the [ATO Tax return for individuals 2021](#), and follow the instructions below. For your Colonial First State term allocated pension you generally only need to complete questions 7, 8, T1 and T2.

Question 7

Did you receive income from any Australian annuity and or superannuation income stream that you haven't shown at Question 6 of the *Tax return for individuals 2021*?

If **yes** go to **Action** below. If you did not receive any such income, go to the next question in the Tax return.

Action

From your PAYG payment summary, enter the total tax withheld (if this amount is zero write '0'), in the 'Tax withheld' box at Question 7.

Enter the amount of **Taxable component – Untaxed** element from your PAYG payment summary in box N at Question 7 (if you have more than one superannuation pension you will need to combine these amounts).

Enter the amount of **Taxable component – Taxed** element from your PAYG payment summary in box J at Question 7 if you were under the age of 60 during 2020–21 and not in receipt of capped defined benefit stream.¹

Enter the amount of Lump sum in arrears – taxable component (untaxed element) from your PAYG payment summary in box Z at Question 7.

Enter the amount of Lump sum in arrears – taxable component (taxed element) from your PAYG payment summary in box Y at Question 7.

If you were aged 60 or over for all of 2020–21 and receiving a capped defined benefit income stream, you will need to add up all of your taxed elements, tax free components and lump sum in arrears, and subtract \$100,000² (your defined benefit income cap). If the answer is less than or equal to '\$1', then write 0 in box M at Question 7, otherwise divide the answer by 2 then write the answer in box M at Question 7.

Refer to the *Individual tax return instructions 2021* published by the ATO on how to calculate this reduction, or seek advice from your Tax Adviser.

Question 8

Did you receive any Australian superannuation lump sum payments or super death benefit payments while under age 60?

If **yes**, go to **Action** below. If you did not receive any lump sum payments, go to the next question in the Tax return.

Action

You will need your PAYG payment summary – superannuation lump sum sent to you at the time of your withdrawal. If you no longer have this contact the payer. Using your **PAYG Payment Summary – superannuation lump sum**, record the date of payment, Payer's ABN, total Tax Withheld and Taxable Component-Taxed element or Untaxed element in the relevant sections of Question 8 of your Tax return. Note that lump sum payments generally cannot be paid from your TAP.

Question T1

If applicable to you, record the appropriate Seniors and Pensioners tax offset code in box N at Question T1 or appropriate veteran code in box Y Question T1. You may also need to complete the spouse details on your tax return.

Action

Follow the instructions in the *Individual tax return instructions 2021* in order to claim any available seniors and pensioners tax offset (SAPTO).

Question T2

Did you receive income from an Australian superannuation income stream?

If so, you may be entitled to a tax offset. This will only be available if pension payments were received before you reached the age of 60.

The amount of tax offset to which you are entitled depends on:

- your age
- whether you have a taxed element or an untaxed element of any taxable component (refer to your PAYG payment summary – superannuation income stream) and
- if you are totally and permanently disabled, or whether the pension was commenced due to the death of another person.

Action

We have calculated this figure for you. It is shown in the PAYG payment summary as 'Tax offset amount'. This should be entered into box S at Question T2 of your tax return.

If you have more than one superannuation pension you will need to combine these amounts.

For your information, the tax offset calculation procedure is explained in Question T2 in the *Individual tax return instructions 2021*.

You have now completed all the questions relevant to your Colonial First State term allocated pension.

Please ensure you have included the relevant details for any other Australian annuities or pensions you hold.

1 Capped defined benefit income streams includes lifetime pensions, lifetime annuities that existed prior to 1 July 2017, life expectancy pensions and annuities that existed prior to 1 July 2017 and market-linked pensions and annuities that existed prior to 1 July 2017.

2 This cap reduces if you were:

- Age 60 or older for all of 2020–21 and you started a capped defined benefit income stream part way during the year;
- Receiving a capped defined income stream and you turned 60 during 2020–21; or
- Under 60 years old and have a capped defined benefit income stream which is a death benefit income stream where the deceased died aged 60 or over.

Will you need to lodge an Australian tax return in the future? Yes Don't know No FINAL TAX RETURN

Your date of birth
If you were under 18 years old on 30 June 2021 you must complete item A1 on page 7.
Day / Month / Year / /

Electronic funds transfer (EFT)
We need your financial institution details to pay any refund owing to you, even if you have provided them to us before.
Write the BSB number, account number and account name below.
BSB number (must be six digits)
Account number
Account name (for example, JQ Citizen. Do not show the account type, such as cheque/savings, mortgage offset)

Income

1 Salary or wages
Your main salary and wage occupation
Payer's Australian business number
Tax withheld - do not show cents
Income - do not show cents

2 Allowances, earnings, tips, director's fees etc

3 Employer lump sum payments
Amount A in lump sum payments box
5% of amount B in lump sum payments box

4 Employment termination payments (ETP)
Date of payment Day / Month / Year / /
Payer's ABN

5 Australian Government allowances and payments like Newstart, Youth Allowance, JobSeeker and Austudy payments

6 Australian Government pensions and allowances You must complete item T1 in Tax offsets.

7 Australian annuities and superannuation income streams
Taxable component
Taxed element
Lump sum in arrears - taxable component
Lump sum in arrears - tax-free component

Page 2 OFFICIAL: Sensitive (when completed) TAX RETURN FOR INDIVIDUALS

PAYG Payment Summary - Superannuation Income Stream
Payment summary for the year ending 30 June 2021

Section A: Payee details
Payee's tax file number 123456789
Payee's surname or family name CITIZEN
Payee's given name(s) JANE

If you are amending a payment summary you have already send, place X in this box

Payee's address - street number and street name 1 SAMPLE STREET
Suburb/town/locality SYDNEY
Date of Birth 01/10/1939
State NSW Postcode 2000

Death benefit (Reversionary income stream)
Is the payee under 60 years of age and a death benefits dependent, where the deceased died at 60 years or over? Yes No

Section B: Payment Details
Period during which payments were made 01/07/2020 To 30/06/2021

Total tax withheld (whole dollars) \$ 0.00
Taxable component \$ 0.00
Taxed element \$ 2,567.00
Untaxed element \$ 0.00

Tax-free component \$ 0.00
Tax offset amount \$ 5,022.00
Lump sum in arrears - taxable component \$ 0.00
Lump sum in arrears - tax-free component \$ 0.00

Section C: Payer Details
Payer's ABN or withholder payer number 26456298557
Payer's name Colonial First State FirstChoice Wholesale Term Allocated Pension
Branch number

Privacy - For information about your privacy visit the ATO website at ato.gov.au/privacy
I declare that the information given on this form is complete and correct.
Signature of authorised person Scott Henricks Date 30/06/2021

Payee's Personal Records Copy

Tax offsets

T1 Seniors and pensioners (includes self-funded retirees)
If you had a spouse during 2020-21 you must also complete Spouse details - married or de facto on pages 8-9.
The ATO will work out this tax offset amount. Print your code letter in the TAX OFFSET CODE box.

T2 Australian superannuation income stream

TOTAL TAX OFFSETS

Add up all the tax offset amounts at items T2 and T TOTAL TAX OFFSETS

Frequently asked questions – Term Allocated Pensions

Why can't I draw as much income as I like?

In order for your Colonial First State TAP to qualify for concessional tax treatment, it must satisfy this criteria:

- a pension payment must be received each financial year, and
- the amount of pension you receive must be calculated in accordance with a legally prescribed formula.

How do I calculate my fixed annual income amount for the coming year?

Your fixed annual income amount is calculated each 1 July by dividing your account balance (at that date) by the Payment Factor (PF) that corresponds to the remaining number of pension years. Here is an example for an investor that has 12.5 years left to run on a term allocated pension that they originally commenced on 1 December for a term of 13 years. In this case, if the investor's account balance on 1 July was \$200,000, their fixed annual income amount would be calculated as follows:

Account balance at 1 July:

$\$200,000 = \$20,700 \text{ PF for remaining term of 12 years}^1$

$\$200,000 \div 9.66 = \$20,700^2$

The PFs used to calculate your fixed annual income amount are set by the government.

Please speak to your adviser if you have any questions about the level of income you are receiving.

Why has my fixed annual pension amount changed from the last tax year?

Your fixed annual pension amount is based on two variable factors.

First, your account balance as at 1 July may have changed for the following reasons:

- amount of pension payments paid during the year
- investment returns applied to your account balance, and
- fees and charges deducted from your account balance.

Second, each year we are required to recalculate your fixed annual income amount using a different PF based on the remaining term of your pension.

What tax (if any) is deducted from my pension payments?

Colonial First State deducts PAYG withholding tax from your TAP in a similar way as an employer would deduct tax from an employee's salary. The amount of tax deducted depends on information provided by you in your Application form and Tax Declaration form, such as:

- notification of a valid TFN
- your country of residence for tax purposes
- the level of pension payment chosen
- whether the tax-free threshold is claimed

- whether there is a tax-free amount
- entitlement to a tax offset on the taxable component.

Please refer to **What was the change to the taxation of TAP from 1 July 2017?**

Please note your TAP generally cannot be commuted to a lump sum.

Can I change my pension payment amount?

Yes, for 2021–22 you have the flexibility of reducing or increasing your payments from 45% to 110% of your fixed annual pension amount. If you wish to change your pension payment amount, please speak with your financial adviser or contact Investor Services on 13 13 36, Monday to Friday 8am to 7pm Sydney time.

How is my Term Allocated Pension taxed?

Your TAP is taxed in these ways:

- if you are age 60 or over, please refer to **What was the change to the taxation of TAP from 1 July 2017?**
- if you are under age 60, the taxable portion of your pension income will be taxed at marginal tax rates and the 15% pension tax offset will generally apply from preservation age. If you are under preservation age, the tax offset may apply if you are totally and permanently disabled, or if the pension is commenced due to the death of another person.

Why has the level of tax deducted from my pension payments changed?

The tax deducted from your pension payments may be different due to changes in either:

- the level of pension payments received
- any notification of change in your country of residence for tax purposes
- the information you supplied in your Tax File Number Declaration form and/or
- the Pay As You Go withholding tax legislation.

What was the change to the taxation of TAP from 1 July 2017?

A TAP account that commenced prior to July 2017 or a subsequent reversion of that account are deemed a 'capped defined benefit income stream' (CDBIS).

Specifically, if you are age 60 or over (or you receive a TAP upon death of another member who was aged 60 or over at the time), then 50% of your annual pension amount over the defined benefit income cap (currently \$100,000³) will be taxed at your marginal tax rates.

Colonial First State deducts the applicable PAYG withholding taxes and levies. From 1 July 2017, all TAP members will also receive a PAYG Payment Summary regardless of age or the withholding payment amount.

¹ Remaining term rounded down where pension commenced between 1 July and 31 December and rounded up where commenced between 1 January and 30 June.

² Rounded to the nearest \$10 whole dollars.

³ From 1 July 2021, the defined benefit income cap will be indexed to \$106,250.

Definitions – Term Allocated Pensions

A Selected annual pension is the income you had elected to receive for the 2021–22 financial year.

C This is the number of years remaining in the pension term you selected.

B This is the term in years you selected at the commencement of this pension.

C PAYG tax is a tax we withhold from your pension payment.

D Your investment options for pension payments tells you the investment options from which your pension will be drawn.

Colonial First State FirstChoice Wholesale Term Allocated Pension
Pension Payment Information Statement for 2021/22
John Citizen
Account Number: 051 000000000

Information relating to your 2021/22 pension payment

Your new lowest allowable amount
Your new fixed allowable amount
Your new highest allowable amount

\$ 16,890.00
\$ 37,530.00
\$ 41,280.00
\$ 31,180.00

Your selected annual pension **A**

None of your pension payments are subject to tax.

Projected schedule of pension payments

Original term **B** 35.00
Remaining term* **B** 20.00

Frequency of pension payments **C** Monthly
First payment date 25/07/2021

Gross pension \$
2,598.33
PAYG tax* \$ **C** 0.00
Net amount \$ 2,598.33

* PAYG tax includes any applicable offsets and levies
Your net pension amounts were calculated taking into account your current tax arrangements with us.

Draw-down on pension payments

Your pension payments will be drawn from the following investment options, as you nominated previously.

FirstChoice Moderate **D** 100.00%

- If you began your Term Allocated Pension after 1 January, the remaining term will be the original term in the first year of your investment.
If you would like to change your pension payment amount, please speak with your financial adviser.
call us on 13 13 36 Monday to Friday 8am to 7pm Sydney time.

Colonial
First State

Want more information?

For enquiries about your personal tax matters please talk to your financial adviser or accountant.
For general enquiries about your Colonial First State account, please call Investor Services on 13 13 36, Monday to Friday, 8am to 7pm, Sydney time.

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