

## 2020–21 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 allocated pension (including pre-retirement pensions) in your personal tax return.
- 2 Explains how to understand the terms used in your Pension Payment Information Statement.
- 3 Provides you answers to 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](http://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 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 a capped defined benefit income stream.<sup>1</sup>

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 \$100,000<sup>2</sup> (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.

## 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 of 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 allocated pension.

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

<sup>1</sup> Capped defined benefit income streams includes lifetime pensions, lifetime annuities that existed prior to 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.

<sup>2</sup> This cap may reduce if you were:

- 60 years old or older for all of 2020–21 and you started a capped defined benefit income stream part way during the year; or
- Receiving a capped defined benefit income stream and you turned 60 during 2020–21
- 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.



# Frequently asked questions – Allocated Pensions (including pre-retirement pensions)

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

Colonial First State deducts PAYG withholding tax from your Allocated Pension (AP) in a similar way as an employer would deduct tax from an employee's salary. The amount of tax deducted depends on information you provided 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 and
- entitlement to a tax offset on the taxable component.

**Please note that if you do a lump sum commutation (withdrawal), the lump sum benefits tax may apply unless you have reached age 60.**

## Can I claim a tax deduction for the management fees and expenses of the funds?

You can't claim a tax deduction for management fees as they are paid by the fund and not you personally.

## How much income can I get paid from my AP each year?

You are required to be paid a minimum pension amount each year from your AP, which is calculated by multiplying your pension's account balance on 1 July by the minimum annual percentage that relates to your age at that date.

For example, if you were age 63 on 1 July you must be paid at least 2% of the pension's account balance. The table below shows the minimum annual payment (as a percentage of your account balance) that you are required to be paid for the 2020–21 financial year.

If you commence your pension on or after 1 June of the financial year no minimum pension is required to be paid for the financial year. If you commence your pension account during the financial year, we will pro rata your minimum pension payment amount for the number of days remaining in the financial year.

There is no maximum pension limit that applies. However, if you have a pre-retirement non-commutable pension, the maximum amount you can draw-down is limited to 10% of your account balance.

Age	Minimum annual percentage for 2020–21
Under age 65	2.0%
65–74	2.5%
75–79	3.0%
80–84	3.5%
85–89	4.5%
90–94	5.5%
95 and over	7.0%

## I am turning 60 during the coming year – how does this affect my AP?

Pension payments up until you turn 60 will have PAYG withholding tax deducted by Colonial First State depending if you receive pension income or lump sum commutation (withdrawal).

If you receive a pension income amount, PAYG withholding tax and a pension tax offset may apply to the taxable component.

Payments made on or after you turn 60 will have no tax deducted by Colonial First State as your pension payments from age 60 are tax-free.

## How is my AP taxed?

Your AP is taxed according to whether you receive a pension payment or a lump sum commutation (withdrawal) amount:

- If you are aged 60 or over, the whole amount of your pension is tax-free.
- If you are under age 60, the taxable portion of your pension income will be taxed at marginal tax rates and the 15% 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.
- If the amount received is the taxable component of a lump sum commutation (withdrawal), super lump sum benefits tax may apply.
- For those under age 60 with a pre-1 July 2007 account, your pension components historically calculated will be recalculated upon a trigger event, which is the earlier of turning age 60, commutation/withdrawal, or upon death. Upon a 'trigger event', your tax-free component will be based on the proportion of your tax free amount to your account balance.

## What happens if I don't have a 'trigger event', eg a partial commutation/withdrawal?

Your pension less any tax-free amount will continue to be included in your assessable income and taxed at your marginal tax rate if you are under age 60. We will continue to deduct PAYG withholding tax where applicable from your pension payments if you are under age 60. The 15% tax offset may still be available. If we do not have your Tax File Number (TFN) we will also deduct no-TFN withholding tax at either 45% or 47% depending on your tax residency status.

## 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:

- 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.

## If I want to make a partial withdrawal from my pension, is it treated as a lump sum or a pension payment?

When you make a partial withdrawal from your pension, you need to advise us before the payment is processed whether it is to be treated as a lump sum commutation (withdrawal) or an additional pension payment. If you don't advise us, Colonial First State is required to treat the withdrawal as

a lump sum commutation. Please note, depending on which payment type is selected and your personal situation, different tax treatment, transfer balance cap treatment, and social security treatment may apply. For further information, please ask your tax adviser or financial adviser.

## Definitions – Allocated Pensions

**A** The new allowable minimum is the minimum income you are required to receive for the 2021–22 financial year.

**B** Selected annual pension is the income you have elected to receive for the 2021–22 financial year.

**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.

John C...  
Choice Wholesale Allocated Pension  
Statement for 2021/22  
Account Number: 051 00000000

Information relating to your 2021/22 pension payment

Your new allowable minimum **A** \$ 7,150.00

Your selected annual pension **B** \$ 38,448.00

The proportion of your income that is tax free is 71.08%

Projected schedule of pension payments

Frequency of pension payments Monthly

First payment date 25/07/2021

Gross pension \$ 3,204.00

PAYG tax **C** \$ 0.00

Net amount \$ 3,204.00

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 have selected an amount below the required minimum pension payment, this will be adjusted to the legislated minimum. The following table shows the relevant percentage based on your age at the beginning of the financial year or at commencement of your account-based pension if your payment began part-way through the year.

Age	Percentage of account balance
Under 65	2%
65-74	2.5%
75-79	3%
80-84	3.5%
85-89	4.5%
90-94	5.5%
95 or more	7%

If you would like to change your pension payment amount, please speak with your financial adviser or 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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