

A guide to lump-sum payments

You may get a lump-sum payment from a number of sources. Here we explain how some lump-sum payments may be taxed.

Life Benefit Termination Payment

A Life Benefit Termination Payment (LBTP) is a payment made by a super or rollover fund when you:

- receive a lump sum payment from a super fund
- withdraw from an approved deposit fund or deferred annuity
- cash in an annuity, super or account-based pension.

There are two components that make up an LBTP lump sum:

- The tax-free component
- The taxable component, which can be from:
 - a taxed source
 - an untaxed source.

Tax on an LBTP lump sum

The amount of tax you pay on an LBTP lump sum depends on whether it is paid from a taxed or untaxed source. The table shows the maximum tax payable.

Component/age	Maximum tax you will pay (including Medicare levy)	
	LBTP from a taxed source	LBTP from an untaxed source
Tax-free component	Nil	Nil
Taxable component and you are under preservation age at year end	21.5%	<ul style="list-style-type: none"> • 31.5% of first \$1,100,000 • Balance at 46.5%
Taxable component and you are at or over your preservation age at year end but under 60	<ul style="list-style-type: none"> • Nil on first \$150,000 • Balance at 16.5% 	<ul style="list-style-type: none"> • 16.5% on first \$150,000 • 31.5% on \$150,001 – \$1,100,000 • Balance at 46.5%
Taxable component if you are over 60	Nil	<ul style="list-style-type: none"> • 16.5% of first \$1,100,000 • Balance at 46.5%

Preservation age

Your preservation age is determined by your date of birth as shown in the table:

If you were born:	Your preservation age is:
Before 1 July 1960	55
Between 1 July 1960 and 30 June 1961	56
Between 1 July 1961 and 30 June 1962	57
Between 1 July 1962 and 30 June 1963	58
Between 1 July 1963 and 30 June 1964	59
After 30 June 1964	60

Employer Termination Payment

An Employer Termination Payment (ETP) is a 'golden handshake' payment made by your employer when you resign, retire or are made redundant from work. It excludes:

- payment of outstanding annual leave or long-service leave
- the tax-free component of a genuine redundancy or early retirement scheme.

The tax you pay on the ETP and your choices for how the ETP is paid depend on whether or not the ETP qualifies as a 'transitional ETP'. To qualify under the transitional rules as a transitional ETP, the ETP must be paid under a written contract, law or agreement that was in place as at 10 May 2006.

You can either cash in or roll over a transitional ETP to super, but you must take a non-transitional ETP as cash. The tax you would pay on your cashed-in benefit depends on your age as shown in the following tables:

This table shows the maximum tax payable on an ETP cash benefit:

Component	Tax on ETP (including Medicare levy)	Tax on transitional ETP (including Medicare levy)
Tax free	Nil	Nil
Taxable component where you are under preservation age at end of year	31.5% on the first \$150,000	31.5% on the first \$1M
	Balance at 46.5%	Balance at 46.5%
Taxable component where you have reached your preservation age or older at end of year	16.5% on the first \$150,000	16.5% on the first \$150,000
	Balance at 46.5%	31.5% between \$150,001 and \$1M
		46.5% on amounts above \$1M

Death Benefit Termination Payment

A Death Benefit Termination Payment (DBTP) is a payment made by a super fund upon the death of a member. The DBTP may be:

- from a taxed or untaxed source
- paid to a tax dependant (spouse, inter-dependant, child under 18 and any other financial dependant) or a non-dependant.

The table below shows the maximum tax payable on a DBTP when it is taken as a cash benefit.

Component	Tax you will pay (including Medicare levy)	
	Tax dependant	Non-dependant
Tax-free	nil	nil
Taxable (taxed element)	nil	16.5%
Taxable (untaxed element)	nil	31.5%

A tax dependant can also choose to take the DBTP as a pension. The tax-free component of the payment is tax-free, however the taxable component of the payment may be taxed. The tax they pay is determined by their age and the age of the member when they died. The table below shows the tax situation for the dependant.

Age of member when they died	Age of dependant	Taxed element	Untaxed element
60 or older	Any age	• Tax-free	• Assessable income
Under 60	60 or older		• 10% tax offset
	Under 60	• Assessable income • 15% tax offset	• Assessable income

Things you should consider

This publication provides an overview or summary only and it shouldn't be considered a comprehensive statement on any matter or relied upon as such.

This publication doesn't take into account your personal objectives, financial situation or needs. It's important for you to consider these matters before making any financial decision and we recommend you seek help from a financial adviser.

IMPORTANT INFORMATION

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