

q&a

canberra times: q&a

Q 2: A noted financial commentator stated in an article recently that “after 60, the first \$39,500 of indexed pension is tax-free, whether it is an unfunded employer benefit or a funded member-component pension.” This left me a little confused as I am a PSS retiree with a pension of \$14,000 pa and COMSUPER requires me to pay \$832 in tax each year on this pension. I am also in receipt of a CSS pension of \$19,800 pa, on which I pay no tax. I am over the age of 60. Given that my total Commonwealth pensions are less than \$34,000 pa how it be claimed that after 60 years of age, indexed PSS pension up to \$39,500 pa is tax free?

M.H., Canberra

A 2: When aged 60 years and over and receiving a \$39,500 pa PSS indexed pension you would also receive a 10% tax rebate of \$3,950. When combined with the Low Income Tax Offset of up to \$445 would mean that you would not be required to pay much tax on this pension income at all (some medicare levy to pay though). So the statement is correct.

Where the confusion may come from is that you are only able to claim the tax free threshold from one income source – and in your case that seems to be the CSS pension. The PSS pension would be considered the second income source and as such, some tax is being withheld. While this tax is being withheld, when you put in your annual tax return then the tax paid would likely be returned to you as a tax refund. So the correct tax (or lack of it) should be paid in the end.

Phil Thompson is a certified financial planner and authorized representative of Rise Financial Pty Ltd (ABN 86350987645), AFSL 311718, an Approved Financial Planning Association Professional Practice. Answers should be used as a general guide only and professional advice should be sought before making investment decisions.

Send your financial questions to phil@risefinancial.com.au