Basic Pension Rules

Fact Sheet, August 2025

This fact sheet explains key terms and rules for Transition to Retirement Income Streams (TRIS) and Account Based Pensions (ABP).

Current taxation rules

Account Based Pensions (ABP) and Self Managed Super Funds (SMSF) providing income streams (pensions) currently pay no tax on earnings and no tax on any capital gains that are generated from the investments that provide those pensions (Not applicable to transition to retirement income stream (TRIS) established after 1 July 2017).

Types of pensions

+ **TRIS** – allows a person who has reached their *preservation age* but is still working either full-time or part-time to access superannuation benefits as an income stream. The maximum withdrawal rate is 10% in an financial year and the minimum is as per the minimum pension percentage rate.
+ **ABP** – once a person reaches their *preservation age*, and has satisfied a *condition of release*, they are able to access their superannuation, as an income stream or lump sum (or both).

Preservation age

For a Person Born	Preservation Age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
After 30 June 1964	60

Conditions of release

Superannuation benefits must be retained in accumulation until the member satisfies one of the following conditions:

+ Retirement
+ Death
+ Terminal medical condition
+ Permanent incapacity
+ Attaining age 65
+ Attaining preservation age (TRIS option only)

Definition of retirement

Retirement taken to have occurred when:

+ If between preservation age and 60 years old – an arrangement under which the member was gainfully employed has ended, and the member intends never to be gainfully employed either full time (30 hours per week) or part time (10 hours per week).

  NOTE: To evidence this, the member may be required to sign a statutory declaration, showing they have satisfied these conditions.

+ If over 60 years old – an arrangement under which the member was gainfully employed has ended.

Minimum pension

A minimum withdrawal from the Account Based Pension or SMSF is required each year. This is calculated based on the member's account balance at previous year's 30 June. To calculate the minimum pension required for Financial year ending June 2026, the multiply member balance in pension phase of the prior year by the relevant percentage in the table below.

Age at 1 July	Minimum Percentage FY 2026
Under 65	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
Over 95	14%

NOTE: If the member does not withdraw their minimum pension by 30 June 2026, the Fund may lose its tax exemption status. Members should ensure they withdraw slightly more than their minimum amount to avoid this.

TRIS maximum withdrawal

The income payments from a TRIS pension are limited to 10% of the member's account balance at 30 June of previous financial year (i.e. withdrawals during 2026 financial year cannot exceed 10% of member balance at 30 June 2025).

We recommend that you check all withdrawals for the financial year to date also, and ensure this limit is not breached.

ABP maximum withdrawal

A member is able to access their full account balance.

PAYG withholding

If the member is below the age of 60, PAYG withholding will be required on the taxable component of the pension payment made by the Fund. If this applies:

+ The Fund must be registered with the ATO for PAYG withholding from the date the pension starts.
+ The Fund will then be required to lodge Installment Activity Statements (IAS) on a quarterly basis.
+ For detailed withholding calculation, refer to the Australian Taxation Office website: https://www.ato.gov.au/Rates/Tax-tables/

For members aged 60 or over, receiving an income stream from a defined benefit fund, 50% of any pension payments above $125,000 (defined benefit income cap for 2025–26) is included in the member's personal assessable income and taxed at their marginal tax rate plus the Medicare levy.

Effect on member's income tax return

If the member is below age 60, the taxable component of the pension paid will be included in their assessable income for that financial year.

+ Member below preservation age – no tax offset.
+ Member between preservation age and 60 years – eligible for 15% tax offset.
+ PAYG withholding paid by the Fund will be a tax credit also.

Transfer balance cap

From 1 July 2017, the total amount of super you can transfer into a tax-free retirement account (ABP) is capped. This is called the transfer balance cap.

The general transfer balance cap began on 1 July 2017. This is a lifetime limit on the total amount of super that can be transferred into tax-free retirement phase income streams, including most pensions and annuities.
If you have amounts in retirement phase, then you will have a transfer balance account.

All retirement phase income streams and retirement phase death benefit income streams you receive count towards your transfer balance cap.

The age pension (or other types of government payments) and pensions received from foreign super funds don't count towards your transfer balance cap.

On 1 July 2025, the general transfer balance cap increased to $2.0 million (from $1.9 million).

Individuals now have their own personal transfer balance cap, depending on their circumstances. Your cap:

+ will be equal to the general transfer balance cap that applied when you started your first retirement phase income stream, and
+ may be increased by proportional indexation depending on the highest ever balance you have held in retirement phase.

If you have no cap space or an excess transfer balance, you are not entitled to indexation of your transfer balance cap.

You can view your personal transfer balance cap in ATO online services, through myGov.

Taxation of transition to retirement income stream (TRIS)

The earnings supporting a TRIS are taxed at the superannuation fund rate, rather than being tax free.

It is important that you discuss your circumstances with your Accru advisor to understand how these changes may impact on your circumstances.

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