

Superannuation death benefits 2025-26

This chart outlines the issues a financial services professional may consider when a superannuation death benefit is paid from a taxed superannuation fund, including from the accumulation phase or retirement phase. Both the deceased and the beneficiary are assumed to be Australian tax residents. Capped defined benefit income streams and the subsequent death of a beneficiary aren't covered here.

Death benefit eligibility

Is the intended beneficiary:
a super law dependant (see Table 1) or
the legal personal representative of the deceased?

YES

NO

Generally cannot be paid a death benefit¹

Pension eligibility

Is the beneficiary an eligible pension recipient? (see Table 1)

YES

NO

Benefit payment form

Form of death benefit payment (superannuation death benefits
can be paid as a lump sum, pension or a combination of both)²

Lump sum

Pension (new or reversionary)

Transfer balance cap (TBC) – cap modification

Is the beneficiary a child of the deceased?

YES

NO

TBC modification may apply (see Table 3)

Transfer balance cap – timing and value of credit

Did pension automatically revert to the beneficiary?

YES

NO

| | | |
|-------------------|--|---|
| Timing of credit: | Later of: <ul style="list-style-type: none">12 months from reversion³1 July 2017 | Later of: <ul style="list-style-type: none">death benefit pension commencement1 July 2017 |
| | Value at later of: <ul style="list-style-type: none">date of reversion³just before 1 July 2017 | Value at later of: <ul style="list-style-type: none">date death pension commencedjust before 1 July 2017 |

Taxation of pension

| Age ⁴ | Tax treatment |
|--|--|
| Deceased or beneficiary – age 60 or more | NANE ⁵ |
| Deceased and beneficiary – both less than age 60 | Tax free component – NANE ⁵ |
| | Taxable component – Marginal tax rate ⁶ less 15% tax offset |

Commutated amount results in debit to transfer balance account

Commutated amount paid to beneficiary as a lump sum?

NO

YES

Commutated amount retains death benefit status and must be used to
commence a death benefit pension within the fund

OR

rolled over to another fund to commence a death benefit pension.

Taxation of lump sum

| Beneficiary | Tax treatment | Taxable component (maximum rate of tax) |
|--|-------------------|---|
| Tax dependant (see Table 1) | NANE ⁵ | NANE ⁵ |
| Tax non-dependant | NANE ⁵ | Taxed element 15% ⁶ Untaxed element 30% ^{6,7} |
| Legal personal representative/ estate | NANE ⁵ | Benefit is taxed as above depending on the extent to which a dependant or non- dependant benefits from proceeds. ⁸ |

| TABLE 1: Dependants under super and tax law | Type of dependant | | Eligible pension recipient |
|--|---|-----|--|
| | Super | Tax | |
| Spouse (Table 2) | Yes | Yes | Yes |
| Former spouse | No | Yes | No |
| Child (Table 2) | Less than 18 | Yes | |
| | Age 18–24 and financial dependant | Yes | No, though may meet another definition |
| | Any age with qualifying disability ⁹ | | |
| | Age 18 and over who isn't financially dependent or doesn't have a qualifying disability | | No |
| Person in interdependency relationship (Table 2) | | Yes | Yes, though children must meet rules above |
| Ordinary meaning dependant | | Yes | Yes, though children must meet rules above |
| Other | | No | Yes ¹⁰ |

| TABLE 2: Dependant definitions | |
|--------------------------------|---|
| Spouse | Includes: <ul style="list-style-type: none">another person to whom the person is legally marriedanother person (whether of the same or different sex) with whom the person lives on a genuine domestic basis in a relationship as a couple, andanother person with whom the person has a certain type of registered relationship under certain state and territory laws. Currently, ACT, NSW, QLD, SA, TAS and VIC have laws enabling the registration of opposite and same sex couple relationships. |
| Child | Includes: <ul style="list-style-type: none">an adopted child, a stepchild or an ex-nuptial child of the persona child of the person's spouse, andsomeone who is a child of the person within the meaning of the <i>Family Law Act 1975</i> (which includes children born as a result of artificial conception or under surrogacy arrangements). |
| Interdependency relationship | Two persons (whether or not related by family) have an interdependency relationship if all of the following are satisfied: <ul style="list-style-type: none">they have a close personal relationshipthey live togetherone or each of them provides the other with financial support, andone or each of them provides the other with domestic support and personal care. Note: Additional provisions apply where the dependency definition is not met due to one member having a disability. |

| TABLE 3: Transfer balance cap – cap increment for children | | | |
|--|-------------------------------------|---|--|
| Pension commencement | Parent had transfer balance account | Source of child pension | Cap increment ¹¹ |
| Pre 1 July 2017 | N/A | N/A | General transfer balance cap (ie \$1.6m) |
| On or after 1 July 2017 | No | Accumulation phase | General transfer balance cap x % share of deceased's superannuation interests |
| | Yes | Retirement phase only | Value of pension(s) received |
| | Yes | Accumulation phase only | Nil-death benefit pension generally excessive |
| | Yes | Both retirement and accumulation phases | Value of pension(s) received from retirement phase only. Pension paid from accumulation generally excessive. |

Footnotes:

- Some trustees might be able to pay someone who is not a superannuation law dependant or legal personal representative of the deceased where it has been unable to find a superannuation law dependant or legal personal representative.
- A lump sum option may not be available in respect of complying pensions where there is a nominated reversionary beneficiary.
- A pension reverts on the day the individual dies.
- Age, in relation to the deceased, means age at the time of death and, in relation to the beneficiary, means age at the time they receive a payment.
- NANE = Non-assessable non-exempt income.
- Plus Medicare levy.
- An untaxed element may arise where a lump sum death benefit is paid to an entity which is not a dependant for tax purposes and where the fund has, or will, claim a deduction for either:
 - premiums paid for insurance policies in relation to the death benefit, or
 - amounts based on the fund's future liability to pay the benefit.
- The Medicare levy is not payable if a super death benefit is paid to the deceased's estate.
- A qualifying disability is one that:
 - is attributable to an intellectual, psychiatric, sensory or physical impairment or a combination of such impairments, and
 - is permanent or likely to be permanent, and results in:
 - a substantially reduced capacity of the person for communication, learning or mobility, and
 - the need for ongoing support services.
- In certain circumstances, a beneficiary who is not otherwise a tax dependant that receives a death benefit lump sum in relation to a person who died in the line of duty as:
 - a member of the Defence Force
 - a member of the Australian Federal Police, State or Territory Police Force, or
 - a protective services officer,will be treated as a tax dependant.
- A cap increment is a modification to the child's transfer balance cap. It is the amount a child can receive in the form of a death benefit pension without exceeding their transfer balance cap. A death benefit pension is not assessed against a child's general transfer balance cap (ie \$1.7m from 2021-22)

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