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Note: sub-rules (4) and (5) deal with reduction of pensions and have been highlighted with a blue background. The entire rule 29 goes as follows:

Rule 29 of Division 1 of the scheme rules provides as follows:

Taxation Reduction of Benefits

29.(1) This Rule does not apply to a benefit or part thereof payable under the Rules that is either -

(a) a lump sum paid where the taxable component of the superannuation benefit consists wholly of an element untaxed in the fund; or

(b) a pension paid where the taxable component of the superannuation income stream consists wholly of an element untaxed in the fund; or

(c) a benefit derived from Additional Voluntary Contributions, or

(d) a benefit payable under Division 5 of these Rules after 1 July 2002.

(2) Notwithstanding any other provision of the Rules, each benefit or part thereof payable under the Rules (other than a benefit or part thereof listed in sub-rule (1) of this Rule) will be reduced in accordance with a formula determined by the Superannuation Board on the advice of the Actuary.

(3) In the case of a benefit or part thereof paid as a lump sum, the formula determined in accordance with sub-rule (2) of this Rule shall be such as to ensure that:

(a) the amount of the reduced benefit or part thereof which would be received after tax, assuming that taxation at the tax rates set out in column B of Schedule 1A of Division I of these Rules is applied to the reduced benefit or part thereof

equals

(b) the amount of the benefit or part thereof prior to its reduction by the formula which would be received after tax, assuming that taxation at the tax rates set out in column C of Schedule 1A is applied to the benefit or part thereof prior to its reduction by the formulae,

PROVIDED THAT in the case of a Member who was employed by a Consenting Employer immediately prior to becoming entitled to the payment of a lump sum benefit, if such formula causes the reduction in that part of the taxed element of the post June 83 component (which did not arise from a taxed rollover into the Scheme) to exceed 15% of that part, the reduction on that part must be 15%. In the application of this proviso it must be assumed that the taxation laws that applied on 1 July 2000 continue to apply.

In determining whether the formula determined in accordance with sub rule (2) of this Rule satisfies the condition set out under this sub rule (3) it must be assumed in respect of each of paragraphs (a) and (b) of this sub rule (3) that the lump sum is taxed using the tax rates set out under Schedule IA as if the provisions relating to the taxation of superannuation lump sums (including from a taxed source and from an untaxed source, as applicable) under the taxation laws that applied before 1 July 2007 continued to apply.[21]

(4) In the case of a benefit paid as a pension, the formula determined in June 2007 in accordance with sub-rule (2) of this Rule shall be such as to ensure that:

(a) the amount of the reduced pension from a taxed source which would be received after tax and after taking into account a taxation rebate on pension payments at the rate of 15%;[22]

equals

(b) the amount of the pension prior to its reduction which would be received after tax assuming that it is paid as a pension from an untaxed source.[23]

(5) The formula for calculating the amounts received after tax, in accordance with paragraphs (a) and (b) of sub rule (4) of this Rule, shall:

(a) take into account the personal income tax scale applicable at the time the pension commences and shall assumed that the pensioner receives no taxable income other than the pension;

(b) in respect of the period from 1 July 2007, assume the pension is taxed as if the provisions relating to the taxation of pensions (including from a taxed source and from an untaxed source, as applicable) under the taxation laws that applied before 1 July 2007 continued to apply.

(6) Where a member contribution in respect of any period after 1 July 2002 (other than an Additional Voluntary Contribution) has been paid by a Member and has not been paid by an employer in accordance with Rule 8A, the reduced benefit determined in accordance with sub-rule (2) of this Rule shall be increased by an amount calculated in accordance with a formula determined by the Superannuation Board on the advice of the Actuary to reflect the excess (if any) of-

(a) 15% of such member contributions after 1 July 2002, accumulated with interest at the Declared Rate,

over

(b) 15% of those member contributions without interest.