SURCHARGE

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The superannuation surcharge was a tax imposed between 20 August 1996 until 30 June 2005 on people whose surchargeable contributions reached or exceeded certain levels.

What was the superannuation surcharge?

The superannuation surcharge was a tax imposed by the Commonwealth Government on your surchargeable contributions once your income reached certain levels. It applied if your adjusted taxable income for the financial year exceeded the threshold set by the Australian Taxation Office (ATO). The tax was introduced on 20 August 1996 and levied until 30 June 2005.

Any surcharge liability accrued prior to 1 July 2005 will be payable when you withdraw or roll over your full entitlement upon leaving Triple S. However, you can elect to use a portion of your super entitlement to pay any outstanding surcharge liability.

When it applied

The surcharge applied if your adjusted taxable income exceeded the threshold set by the ATO prior to between 20 August 1996 and 30 June 2005.

Your adjusted taxable income is made up of:

- your taxable income, plus
- reportable fringe benefits, plus
- surchargeable contributions, plus
- part of any "golden handshake" you may have received when you left employment during the period.

How the surcharge is calculated

Each financial year your surchargeable contributions were determined by multiplying your superannuation salary by a Notional Surchargeable Contributions Factor (NSCF). The NSCF was calculated by an actuary for every individual scheme member each year and was provided to Super SA in accordance with Commonwealth Government legislation.

Your superannuation salary was used to determine your surchargeable contributions. It included your regular earnings and some allowances. It excluded:

- non-monetary salary (eg a car)
- most non-regular allowances and casual loadings
- overtime payments (unless paid as an annual allowance) and
- amounts paid in lieu of all forms of leave or as a consequence of you terminating employment.

Surchargeable contributions varied from the actual contributions paid by your employer into the Scheme on your behalf.

The surcharge rate increased on a sliding scale between the minimum and maximum thresholds. If your income, prior to 1 July 2005, was above the maximum threshold, you paid the surcharge at the maximum rate. (See the table below for surcharge thresholds.)

The maximum surcharge rate prior to 30 June 2003 was 15% and was then reduced as follows: 2003-2004 – 14.5%; 2004-2005 – 12.5%

For example, Margaret's adjusted taxable income was $130,000 in the 2004-2005 financial year (ie above the maximum threshold of $121,075). Her surchargeable contributions were $20,000 and the surcharge rate applied was at the maximum rate of 12.5%. Therefore Margaret's surcharge was 12.5% x $20,000 = $2,500.

Surcharge thresholds

The surcharge rate was reduced to zero from 1 July 2005. The minimum and maximum surcharge thresholds for the previous five years were:

Year	Minimum threshold	Maximum threshold
2000/2001	$81,493	$98,955
2001/2002	$85,242	$103,507
2002/2003	$90,527	$109,924
2003/2004	$94,691	$114,981
2004/2005	$99,710	$121,075

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Payment options

If you have received a Superannuation Surcharge Assessment from the ATO you have two options in relation to paying the surcharge:

- You can pay it immediately, or
- Defer it until you receive your super entitlement and then pay it.

If you choose to defer payment, you will accrue interest at the 10-year Commonwealth Treasury Bond rate. Also, if you choose to defer, the total surcharge liability will not exceed 15% of the employer-funded component of your entitlement that accrued after 20 August 1986.

Interest on outstanding surcharge liabilities

If a surcharge debt that has been raised in an assessment notice is not paid, interest is added to the surcharge debt by the ATO on 30 June each year and the ATO will advise you of the outstanding surcharge debt at 30 June each year.

Interest and your final surcharge liability

When you receive your entitlement from the Scheme, Super SA advises the ATO of payment details, and the ATO will calculate the total amount payable in respect of the surcharge debt.

In the final calculation of an outstanding surcharge debt, an adjustment will be made to provide that no interest is added to your surcharge debt account after the date you take your entitlement.

You have three months from the date of issue by the ATO of your Final Liability Notice to make payment of your surcharge debt. If your final surcharge debt is not paid by the due date, the ATO will apply a general interest charge.

Commutation

If you deferred paying your surcharge debt you may elect, when you receive your Final Liability Notice from the ATO, to commute – or exchange – part of your pension to pay the accrued surcharge debt. This commutation option is in addition to the normally available commutation offer.

As the surcharge debt is a liability that is owed by you to the ATO, the commutation payment is made payable to you and forwarded to you to enable you to make payment to the ATO with the necessary ATO remittance advice.

Commutation factors

The commutation factor is the number, or multiple, used in the conversion of a pension into a lump sum. Surcharge commutation factors for retirement pensions are different from those used for normal commutation purposes and are shown below:

Age at time of Commutation	Conversion Factor
45	20.7
46	20.4
47	20.2
48	20.0
49	19.8
50	19.5
51	19.3
52	19.0
53	18.7
54	18.5
55	18.2
56	17.9
57	17.6
58	17.3
59	16.9
60	16.6
61	16.2
62	15.9
63	15.5
64	15.1
65	14.8
66	14.4
67	14.0
68	13.5
69	13.1
70	12.7
71	12.2
72	11.8
73	11.3
74	10.9
75	10.4

The following example shows how commutation works to pay a surcharge liability:

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John commences an annual pension of $50,000 per annum at age 56 and receives a Final Liability Notice from the ATO with a final surcharge debt of $14,000 to be paid.

John asks Super SA to commute part of his pension to settle this debt. As John is 56 he receives a lump sum of $17.90 for each $1 of annual pension commuted to pay this debt.

As the debt is $14,000, his annual pension reduces by $14,000 ÷ $17.90 = $782.12.

Therefore John's annual pension will reduce to $49,217.88.

Further information

If you have any enquiries regarding your surcharge assessments they should be made direct to the ATO.

Contact us

Address
Ground floor,
151 Pirie Street
Adelaide SA 5000
(Enter from Pulteney Street)

Postal
GPO Box 48, Adelaide,
SA 5001

Call (08) 8207 2094 or
1300 369 315

Email supersa@sa.gov.au

Website
www.supersa.sa.gov.au