Superannuation contributions surcharge – information for super funds and professionals

Calculating the superannuation contributions surcharge, and reporting and payment obligations.

Last updated 30 August 2017

If you think an assessment is wrong

If you think an assessment is wrong, an amendment can be requested.

More information

Explains where to obtain more information.

QC 18957

Surchargeable contributions

Find out about surchargeable contributions.

Last updated 30 August 2017

The superannuation contributions surcharge (surcharge) is levied on certain super contributions (usually employer and personal deductible amounts). In May 2005, the abolition of the super contributions surcharge was announced as part of the 2005–06 Federal Budget. The surcharge legislation was amended so the surcharge will not apply to any super contributions made on or after 1 July 2005.

The surcharge applies to certain super contributions made after 20 August 1996 and before 1 July 2005. The surcharge will still need to be paid for any liabilities that are raised for the financial years 1997–2005.

From August 2017, no new super surcharge assessments will issue. However, any assessments issued prior to this date will remain due and payable.

Super providers must ensure they lodge any outstanding **Superannuation member contributions statements** for the 1997–2005 financial years.

Unfunded defined benefit funds and members of constitutionally protected funds are not required to pay a surcharge liability until a member has left the fund or begins to receive their benefits.

The surcharge applies to contributions if the sum of an individual's taxable income and certain other amounts reach a given threshold for the relevant financial year.

Surchargeable contributions for members of accumulation funds include:

- employer contributions
- personal contributions for which a tax deduction has been claimed
- the post- 20 August 1996 portion of an employer eligible termination payment rolled over on or after 1 July 1997
- allocated surplus amounts (this is any amount allocated to a member's account on or after 1 July 1997 by a super provider from surplus that exceeds an amount considered reasonable by an eligible actuary).

Surchargeable contributions for members of defined benefit funds are determined by an actuary using a formula to calculate the value of the benefits and expenses relating to the membership for a financial year.

Personal contributions for which no income tax deduction has been claimed are not surchargeable contributions.

Calculating surcharge

Adjusted taxable income

Surcharge rates

QC 18957

Calculating surcharge

Last updated 30 August 2017

The surcharge may need to be paid if a member's adjusted taxable income exceeds a certain amount. Generally, a member's adjusted taxable income is the total of their:

- taxable income
- reportable fringe benefits amounts (for the 1999–2000 and later financial years)
- surchargeable contributions.

We get a member's taxable income, reportable fringe benefit amounts and deductible personal contribution details from their tax return. We get our information about surchargeable contributions from the *Superannuation member contributions statement*.

When we have this information, and a member's adjusted taxable income is higher than the lower income amount for the relevant year, we calculate the surcharge to apply to their surchargeable contributions.

Table 1: Lower and higher income amount

Income year	Lower income amount	Higher income amount	Divisor (used in formula)
2005–06 onward	Surcharge abolished	Surcharge abolished	N/A
2004–05	$99,710	$121,075	1,709.20000
2003–04	$94,691	$114,981	1,399.31034
2002–03	$90,527	$109,924	1,295
2001–02	$85,242	$103,507	1,219
2000–01	$81,493	$98,955	1,165

1999–2000	$78,208	$94,966	1,118
1998–99	$75,856	$92,111	1,084
1997–98	$73,220	$88,910	1,046
1996–97	$70,000	$85,000	1,000

The adjusted taxable income is compared to the lower and higher income amounts to determine the rate of surcharge that applies to a member's surchargeable contributions. The number in the **Divisor** column is used in the calculation.

If a member's adjusted taxable income is equal to or below the lower income amount for the financial year, they don't pay a surcharge.

QC 18957

Adjusted taxable income

Last updated 30 August 2017

On this page

Two methods are used to calculate a member's adjusted taxable income:

- First case method
- Second case method

Follow these steps to choose the correct method to calculate a member's adjusted taxable income:

Did the member receive an eligible termination payment from their employer?

- No – use the first case method
- Yes – was the total of the reduced amounts of the eligible termination payments equal to or greater than the higher income amount in Table 1?
  - Yes – use the first case method
  - No – use the second case method

Reduced amount of an eligible termination payment

The reduced amount of an eligible termination payment is the amount remaining after you deduct any:

- post-June 1994 invalidity component
- capital gains tax (CGT) exempt component
- part of the payment made from an employee share acquisition scheme.

First case method

With the first case method, adjusted taxable income is calculated as being a member's taxable income:

- minus super fund and rollover fund eligible termination payments
- minus lump sum payments for unused long service leave (for post-15 August 1978 service) and unused annual leave received when they ceased employment because of bona fide redundancy, invalidity or under an approved early retirement scheme
- plus family trust distributions exempt from income tax because the trust paid the tax
- plus distributions exempt from income tax because ultimate beneficiary non-disclosure tax was paid

- plus their total surchargeable contributions
- plus reportable fringe benefit amount shown on their payment summary (for income years ended 30 June 2000 onwards).

Example: First case method

Jamal works as an environmental engineer. His taxable income for the 2001–02 financial year was $72,000. His employer paid super contributions of $6,500 into his self-managed super fund. Jamal's employer also provides him with a company car; this has a reportable fringe benefit of $8,000.

Table 2: Jamal's adjusted taxable income

Item	Amount
Taxable income	$72,000
Less: Super fund eligible termination payments	$0
Less: Applicable unused annual and long service leave payments	$0
Plus: Family trust distribution amounts	$0
Plus: Ultimate beneficiary non-disclosure tax	$0
Plus: Surchargeable contributions	$6,500
Plus: Reportable fringe benefit amount	$8,000
Adjusted taxable income	**$86,500**

As Jamal's adjusted taxable income is greater than the lower income amount of $85,242 for the 2001–02 financial year, he has a super surcharge liability.

Second case method

With the second case method, adjusted taxable income is calculated as being a member's taxable income:

- plus family trust distributions exempt from income tax because the trust paid the tax
- plus distributions exempt from income tax because ultimate beneficiary non-disclosure tax was paid
- plus their total surchargeable contributions (excluding any post 20 August 1996 portion of an eligible termination payment that was rolled over)
- plus any reportable fringe benefit amount shown on their payment summary (for income years ended 30 June 2000 onwards)
- plus the amount we arrive at by doing the eligible termination payment calculation (see the formula to calculate this below)
- minus the assessable amount of all eligible termination payments
- minus lump sum payments for unused long service leave (for post-15 August 1978 service) and unused annual leave received when they ceased employment because of bona fide redundancy, invalidity or under an approved early retirement scheme.

The eligible termination payment amount

Use this formula to work out a member's eligible termination payment amount:

- **Taxable portion of each eligible termination payment × number of service days after 20 August 1996** (see note 1) **÷ total number of eligible service days**

Note 1: If the number of service days after 20 August 1996 is greater than 365 days, 365 days is used instead.

Calculating this figure ensures a maximum of one year's accrual of eligible termination payments is included when we work out adjusted taxable income.

Example: Second case method

Mary began work on 1 May 1991. She stopped work on 24 August 2003 and was paid an employer eligible termination payment of $58,000, which she rolled over.

For the 2003–04 financial year Mary has:

- a taxable income of $86,000
- surchargeable contributions of $41,000 (of which $33,010 represents the post-20 August 1996 portion of the rolled-over eligible termination payment and $7,990 employer contributions)
- 4,498 total service days (consisting of 2,560 post-20 August 1996 days).

As the gross or reduced amount of the eligible termination payment ($58,000) Mary received in the 2003–04 financial year is less than the higher income amount of $114,981, only a portion of the eligible termination payment is included in her adjusted taxable income calculation.

Table 3: Mary's adjusted taxable income

Item	Amount
Taxable income	$86,000
Plus: Income tax exempt, family trust distribution tax paid	$0
Plus: Income tax exempt, ultimate beneficiary non-disclosure tax paid	$0
Plus: Surchargeable contributions excluding post-20 August 1996 ETP rollover amount ($41,000 − $33,010)	$7,990
Plus: Reportable fringe benefits amount	$0
Plus: Eligible termination payment calculation 1 (see below)	$4,706
Less: Assessable amount of all eligible termination payments	$0
Less: Lump sum payments for unused long	$0

service leave	
Adjusted taxable income	**$98,696**

As Mary's adjusted taxable income is greater than the lower income amount of $94,691 for the 2003–04 financial year, she has a super surcharge liability.

Mary's eligible termination payment calculation is:

$58,000 × 365 ÷ 4,498 = $4,706

QC 18957

Surcharge rates

Last updated 30 August 2017

Before the surcharge was abolished for the 2005–06 and later financial years, the maximum surcharge rate was gradually reduced to:

- 15% for the financial years 1997–2003
- 14.5% in 2003–04
- 12.5% in 2004–05.

The maximum surcharge rate applies to surchargeable contributions if a person's adjusted taxable income exceeds the higher income amount.

No surcharge will apply if a person's adjusted taxable income is equal to or below the lower income amount.

If the adjusted taxable income is between the lower income amount and higher income amount, the surcharge rate will be calculated using the following formula:

- **Rate = Adjusted taxable income − Lower income amount ÷ Divisor**

Example: Calculating the surcharge rate

Robert's adjusted taxable income for the 2003–04 financial year was $103,762. For the same financial year, his accumulation super fund reported that he received contributions of $9,000 and that these were employer contributions only.

According to the formula, his surcharge rate will be calculated as follows:

$103,762 − $94,691 ÷ 1,399.31034 = 6.48248%

This surcharge rate is applied to Robert's surchargeable contributions to calculate his liability as follows:

$9,000 × 6.48248% = $583.40

Therefore a surcharge assessment for $583.40 will be issued to Robert's super fund.

QC 18957

Reporting requirements for super providers

Find out about the reporting requirements for super providers.

Last updated 30 August 2017

Super providers need to lodge a **Superannuation member contributions statement** for the financial years between 1997 and 2005 with us if they:

- received contributions for a member in the financial year
- still hold those contributions at the end of the relevant financial year.

If a provider receives an assessment, and no longer holds the individual's surchargeable contributions, they should send us a Superannuation assessment variation advice statement (AVA).

If the contributions were received and paid out to the member, either as a lump sum or as a pension starting before the end of the financial year, the super provider needs to report the contributions.

Providers must report the:

- super provider details
- supplier details
- member details
- total contributed amounts for each member (for the financial year, including personal contributions).

Super funds should report gross contributions, including those paid as premiums for death or disablement cover, or amounts that are deducted from contributions as administration fees.

It is a requirement to report the total contributed amount for each member. This total must be further broken down into the various types of contributions specified on the *Superannuation member contributions statement* (such as member and employer contributions). If there are subsequent changes to these contributions, super providers will need to lodge an amended *Superannuation member contributions statement*.

If a member disagrees with the amount of surchargeable contributions reported to us by a provider, the member should approach that provider. Generally, super providers need to provide details of reported contributions to members within 30 days of receiving a request to do so.

A super provider does not need to lodge a *Superannuation member contributions statement* for a member for surcharge purposes if they did not receive contributions for that financial year. This applies to the financial years 1997–2005.

Find out about

- Member contribution reporting requirements
- Additional reporting for constitutionally protected funds

For more information, see Superannuation member contributions statement instructions.

Member contribution reporting requirements

Additional reporting for constitutionally protected funds

QC 18957

Member contribution reporting requirements

Last updated 30 August 2017

Super providers that are accumulation funds must report total contributed amounts received, credited for or otherwise attributed to each member's account for a financial year.

Super providers that are defined benefits funds must report the amount of surchargeable contributions of a member for a financial year, and any other amounts that may be reasonably regarded as attributable to the member under the scheme for the financial year.

We use the following information reported on the *Superannuation member contributions statement* when we calculate surcharge:

- employer contributions reported as an employer contributed amount (accumulation or defined benefits)
- the post-20 August 1996 component of an eligible termination payment rolled over on or after 1 July 1997
- allocated surplus amount (any amount allocated from surplus to the member's account on or after 1 July 1997 that **exceeds** an amount considered reasonable by an eligible actuary).

Employer contributions include SG shortfall amounts and superannuation holding account (SHA) special account amounts that have been transferred to the provider (except when these amounts represent a super co-contribution).

QC 18957

Additional reporting for constitutionally protected funds

Last updated 30 August 2017

Constitutionally protected funds also need to lodge a *Superannuation member exit statement for constitutionally protected funds* (MES) when:

- a member receives a lump sum payment, or begins receiving a pension, or
- a member transfers their contributions, or
- a payment to a non-member spouse occurs due to marriage breakdown, or
- a benefit is paid when a member dies.

The constitutionally protected fund needs to notify us by the 14th day of the month after the month of payment.

The fund must report the employer-financed component amount. This amount is calculated on the employer-financed portion of that part of the benefit payable to the member (including amounts rolled over to another provider) that accrued after 20 August 1996 and before 1 July 2005.

We need this information to calculate the member's final liability.

See also:

- **Superannuation member contributions statement**
- Superannuation assessment variation advice statement

QC 18957

Tax file numbers

Find out how we use tax file number details in member's tax returns.

Last updated 30 August 2017

We use tax file numbers (TFNs) to match the details on a member's tax return with contributions reported on the *Superannuation member contributions statement*. This information determines whether surcharge needs to be paid.

If a member has provided their TFN, providers should report this TFN to us with the member's surcharge obligations. If a member gives their TFN to a super provider, it means they are allowing the provider to use the TFN for surcharge purposes.

If we are unable to match a taxpayer to the surchargeable contributions reported by the provider because a correct TFN was not provided, these contributions may be subject to the maximum rate of surcharge.

QC 18957

Paying surcharge

There are different payment requirements for different types of super providers.

Last updated 30 August 2017

Accumulation funds and funded defined benefit funds

Unfunded defined benefit funds

Constitutionally protected super funds

Deceased estates

QC 18957

Accumulation funds and funded defined benefit funds

Last updated 30 August 2017

The person or provider holding the surchargeable contributions at the time the surcharge is assessed needs to pay us the surcharge.

If a provider is holding the contributions when they receive the surcharge assessment, that provider will pay the surcharge on their member's behalf.

If surchargeable contributions were transferred to another super provider before the original provider received a surcharge assessment, the original provider is not liable to pay the surcharge assessment. The transferee provider will be assessed to pay the surcharge.

If surchargeable contributions were paid to a member as a lump sum or pension before we issued a surcharge assessment, the member is assessed and is required to pay the surcharge.

When we issue an assessment, it must be paid within one month. We may add a **general interest charge** to late payments.

If a provider receives an assessment, and no longer holds the individual's surchargeable contributions, they should send us a

Superannuation assessment variation advice statement (AVA).

QC 18957

Unfunded defined benefit funds

Last updated 30 August 2017

Members may be assessed for surcharge for the financial years 1997–2005.

Unfunded defined benefit funds must keep a surcharge debt account for each member that is assessed. This account needs to record the amount of surcharge assessed for the 1997–2005 financial years, and any voluntary payments a member makes.

The fund also needs to calculate and add interest to the outstanding balance of these surcharge debt accounts on 30 June each year using the 10-year Treasury bond rate. Interest ensures the value of the accumulated surcharge debt is maintained over time.

If a member makes a payment, the provider must:

- credit the payment to the surcharge debt account
- acknowledge receipt of the payment to the member
- let the member know about the new balance of the surcharge debt account
- forward the payment to us within one month of receipt.

For a member of an unfunded defined benefit fund that has been assessed to pay the surcharge, the actual liability is not payable until:

- the member receives a lump sum, or begins receiving a pension or annuity, or
- the member transfers contributions, or
- a payment to a non-member spouse occurs due to marriage breakdown, or
- a benefit is paid when a member dies.

The fund must pay the amount their member's surcharge debt account is in debit to us within one month from the day on which the member receives their benefit.

If a member has taken a lump sum or a pension before we issue a surcharge assessment, the member will be assessed and will need to pay the surcharge.

Fund members may make voluntary payments to reduce their surcharge debt accounts. However, we recommend they seek professional financial advice before doing so.

QC 18957

Constitutionally protected super funds

Last updated 30 August 2017

Members may be assessed for surcharge for the financial years 1997–2005.

We keep a surcharge debt account for each member assessed. This records the amount of surcharge assessed for the 1997–2005 financial years, and any voluntary payments the member makes.

We also calculate and add interest to the outstanding balance of these surcharge debt accounts on 30 June each year using the **10-year Treasury bond rate**. Interest ensures the value of the accumulated surcharge debt is maintained over time.

The member's final liability is calculated after the fund lodges the Superannuation member exit statement for constitutionally protected funds (PDF, 169KB).

The final liability is the lesser of the:

- balance of the surcharge debt account we hold
- employer-financed component amount.

Members of constitutionally protected funds do not need to pay their surcharge liability until their super benefit is payable. This happens when:

- a member receives a lump sum, or begins receiving a pension or annuity
- a member transfers contributions
- a payment to a non-member spouse occurs due to marriage breakdown
- a benefit payment is made upon a member's death
- the super fund ceases to be a constitutionally protected super fund.

We will send the final liability notice to the member. The member must pay us the final liability amount within three months of the date of issue of the notice.

If the amount is transferred to another super provider, the new fund can be directed by the member to pay all or part of the liability on the member's behalf.

Fund members may make voluntary payments to reduce their surcharge debt accounts. However, we recommend they seek professional financial advice before doing so.

QC 18957

Deceased estates

Last updated 30 August 2017

Surcharge is not payable for contributions paid in the financial year in which a member has died.

If a member dies, and the surcharge assessed for the financial years before the member's death was not paid before the super death benefit was paid, the beneficiary or the deceased estate needs to pay the liability.

QC 18957

If you think an assessment is wrong

If you think an assessment is wrong, an amendment can be requested.

Last updated 30 August 2017

On this page

Amending an assessment

Amendments can be initiated by us, or a provider or member can ask for an amendment.

An amendment may be needed if:

- a member's adjusted taxable income has changed – this may occur if the member's income tax assessment has been amended
- an amended *Superannuation member contributions statement* has been lodged because of a change in surchargeable contributions
- a TFN is provided after an assessment is issued, because we could not match the TFN initially provided with reported member information.

We send an amended assessment to the current holder of the contributions. This may be:

- the provider that received the original assessment

- a new provider
- the member.

If an assessment has been amended, one of two things may happen:

- If the contributions holder has paid too much surcharge, we may (depending on the circumstances) need to pay interest when we refund the overpaid surcharge.
- If the contributions holder has not paid enough surcharge, they may need to pay us a general interest charge as well as the additional surcharge.

A member should include any interest on overpayment of surcharge as assessable income for the financial year in which the interest is paid. If general interest charge applies, it is deductible in the financial year it is incurred.

Four-year time limit

All super providers need to be aware of the four-year time limit for surcharge assessments.

To ensure an amended assessment can be issued for a member, a provider must make amendments to reporting as soon as an error is detected. Subject to certain exceptions, we can only issue an amended surcharge assessment within four years of an assessment being issued. The time limit starts from the date the debit assessments are due, and from the date the credit assessments were issued.

Exceptions that will allow us to issue an amended surcharge assessment outside this four year period include:

- if there is fraud or evasion
- where there is a need to give effect to an appeal or review decision
- where there is a need to give effect to an objection decision to reduce the surcharge payable.

If you lodge an amended *Superannuation member contributions statement* more than four years after an assessment, it may not be accepted unless it meets one of the exceptions criteria.

Transferred contributions

Sometimes we send providers an assessment notice saying they hold a member's surchargeable contributions when this is no longer the case. If this happens, the super provider needs to let us know by lodging a Superannuation assessment variation advice statement. We will withdraw the assessment and send a new one to the current holder of the contributions.

The assessment variation advice statement needs to be sent to us no later than seven days after the surcharge assessment is due to be paid.

Objections

For information about how to lodge an objection to a surcharge assessment see **Object to an ATO decision**.

QC 18957

More information

Explains where to obtain more information.

Last updated 30 August 2017

For more information on the surcharge:

- phone our information line on **13 10 20** between 8:00 am and 6:00 pm, Monday to Friday (except public holidays)
- write to

  Australian Taxation Office
  PO Box 3578
  ALBURY NSW 2640

QC 18957

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

Copyright notice

© Australian Taxation Office for the Commonwealth of Australia

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).