

# Facts about the superannuation surcharge tax

The superannuation contributions surcharge was a Commonwealth Government tax on employer contributions to superannuation funds for high-income earners. Superannuation surcharge was abolished from 1 July 2005. Surcharge debts accrued prior to this date are still payable and accrue interest at the Commonwealth 10 year Treasury bond rate.

The surcharge tax rates for each year follow.

Financial Year	Surcharge Tax Rate
1996 - 2003	15%
2003-04	14.50%
2004-05	12.50%
2005-06	Nil

High income earners were individuals with an “adjusted taxable income” above the minimum surcharge threshold.

The surcharge tax rate commenced at an adjusted taxable income above the minimum threshold and increased by 0.001 per cent for each dollar of adjusted taxable income above the threshold until it reached the maximum surcharge for adjusted taxable incomes of over the maximum threshold.

The surcharge thresholds increased each year to movements in Average Weekly Ordinary Times Earnings (AWOTE). The thresholds for surcharge purposes were indexed annually. The table below sets out these thresholds.

Year	Min threshold	Max threshold	Denominator
96/97	\$70,000	\$85,000	\$1,000
97/98	\$73,220	\$88,910	\$1,046
98/99	\$75,856	\$92,111	\$1,084
99/00	\$78,208	\$94,966	\$1,118
00/01	\$81,493	\$98,955	\$1,165
01/02	\$85,242	\$103,507	\$1,219
02/03	\$90,527	\$109,924	\$1,295
03/04	\$94,691	\$114,981	\$1,399.31
04/05	\$99,710	\$121,075	\$1,709.20

The rate of surcharge was calculated using the following formula:

$$\frac{\text{ATI - Surcharge Threshold}}{\text{Denominator}}$$

Where:

- **(ATI) Adjusted Taxable Income** is your taxable income plus your total surchargeable contributions plus your reportable fringe benefits total.
- **Surcharge Threshold** - refer to previous table for the minimum and maximum thresholds.
- **Denominator** - refer to previous table for the denominator.

Under previous surcharge legislation, annual employer contributions were termed “surchargeable contributions”. Salary Sacrifice contributions are deemed employer contributions and were included in the “surchargeable contributions”.

For members in defined benefit superannuation funds, such as the Territory’s public sector funds, NTGPASS and NTSSS, employer superannuation contributions are unable to be determined until a member exits the scheme.

The legislation provides that, for members in defined benefit funds, surchargeable contributions are calculated by applying a Notional Surchargeable Contribution Factor determined by the scheme’s actuary to the member’s annual salary.

Superannuation funds, prior to the 2005/06 financial year, were required to report details of each member’s notional surchargeable contributions (irrespective of their salary), each financial year to the Australian Taxation Office.

Members of the Territory public sector funds who have a surcharge debt have the option of either:

- making payments against their surcharge liability to the NTSO at any time; or
- deferring some or all their debt until they cease membership from their scheme and receive a benefit entitlement from which the accrued surcharge debt will be deducted.

Commonwealth legislation provides that surcharge assessments which remain unpaid at 30 June each year will have interest applied to the outstanding liability at the Commonwealth's ten year Treasury bond rate applicable on 30 June of that year.

The following table shows the 10 year Treasury bond rate history since 1999.

As at	10 Year Treasury Bond Rate
30 June 1999	6.27%
30 June 2000	6.16%
30 June 2001	6.04%
30 June 2002	5.99%
30 June 2003	5.01%
30 June 2004	5.87%
30 June 2005	5.11%
30 June 2006	5.79%
30 June 2007	6.26%
30 June 2008	6.45%

Members who have a surcharge liability should seek financial advice on the most tax effective method of paying their surcharge liability.

Queries and complaints regarding the determination of a member's "adjusted taxable income" should be directed to the ATO Superannuation Hotline on 131020.

### Any Further Questions?

The ATO web site at [www.ato.gov.au/super](http://www.ato.gov.au/super) has further information regarding superannuation surcharge.

### EXAMPLES OF SURCHARGE LIABILITY FOR 2004-05 FINANCIAL YEAR

Employee A	\$
Income (all sources)	53 000
Less: Deductions	<u>1 500</u>
Taxable Income	51 500
Add: surchargeable contributions	<u>6 000</u>
Adjusted Taxable Income	<u>57 500</u>
Under \$99,710 no surcharge payable	

Employee B	\$
Income (all sources)	98 710
Less: Deductions	<u>2 000</u>
Taxable Income	96 710
Add: surchargeable contributions	<u>8 000</u>
Adjusted Taxable Income (ATI)	<u>104 710</u>
surcharge rate	$\frac{\$104\,710 - \$99\,710}{\$1\,709.20} = 2.93\%$
2.93% of surchargeable contributions (ie \$8,000) = \$234.40 surcharge tax	

Employee C	\$
Income (all sources)	140 075
Less: Deductions	<u>6 000</u>
Taxable Income	134 075
Add: surchargeable contributions	<u>10 000</u>
Adjusted Taxable Income (ATI)	<u>144 075</u>
ATI is over maximum threshold of \$121 075	
Maximum rate of 12.5% applies on surchargeable contributions	
\$10 000 x 12.5% = \$1,250 surcharge tax	