

## SURCHARGE TAX FREQUENTLY ASKED QUESTIONS

**Q1. Will I be liable for the surcharge?**

- A1. Most members will not be liable for the surcharge. You will only be liable for the surcharge if :
- your *adjusted taxable income* is more than the surcharge threshold (\$94,691 for the 2002-03 and \$99,710 for 2003-04); or
  - you have not quoted your tax file number (TFN) to your superannuation fund or the Australian Taxation Office (ATO), irrespective of your *adjusted taxable income*.

**Q2. What is adjusted taxable income?**

- A2. Your adjusted taxable income for the year is determined by the ATO. It includes the following amounts :
- your taxable income as assessed by the ATO; plus
  - your *surchargeable contributions* calculated by the NT Superannuation Office (NTSO); pls
  - any tax deductible personal superannuation contributions.

**Q3. What are surchargeable contributions?**

- A3. The surchargeable contributions amount represents the annual employer-financed benefit accruing in the fund for you. For defined benefit funds, such as the Territory public sector schemes, the surchargeable contributions amount is calculated by multiplying your annual salary by a factor called the *notional surchargeable contributions factor* (NSCF).

**Q4. How is the NSCF calculated?**

- A4. The NSCFs are calculated by the NTSO Actuary in line with an ATO Superannuation Contributions Ruling. The NSCF applicable to you will depend on factors such as your age and years of service and will take into account the peculiarities of the scheme.

**Q5. What is a surcharge debt account?**

- A5. The NTSO will establish and maintain your surcharge debt account which comprises your annual surcharge assessments as calculated by the ATO plus annual interest charges less any prepayments you have made against your account. You will be advised of the details of your surcharge debt account each year in your annual member information statement.

**Q6. Why is interest charged on the surcharge debt?**

- A6. The Territory public sector superannuation funds (as well as the CSS) are classified as “unfunded defined benefit schemes” under surcharge legislation as the employer part of your benefit is not paid into the fund until you cease Territory public sector employment and claim your benefit. As a consequence of this, members of unfunded schemes have the option of deferring the payment of their surcharge debt until the benefit is paid from the fund, which for some members, could lead to a long period of deferment. Interest is therefore charged on the balance of the surcharge debt account.

**Q7. What is the interest rate?**

A7. The applicable interest rate will be the Commonwealth 10 year bond rate.

**Q8. Why does the NTSO need my TFN?**

A8. Your TFN will be used by the ATO as the primary identifier to cross match your superannuation entitlements with your tax return. Giving your TFN to the NTSO will ensure that you won't incur the surcharge liability unless your adjusted taxable income is over the surcharge threshold. However, you are under no obligation to authorise the passing of your TFN to the NTSO. All superannuation funds have to follow strict privacy rules when handling your TFN.

**Q9. What if I don't supply my TFN?**

A9. If you do not supply your TFN, you may be liable for the full surcharge tax rate whatever your adjusted taxable income.

**Q10. What is the ATO's involvement in the surcharge?**

A10. The ATO is responsible for assessing whether a surcharge is payable. Only the ATO has access to your personal taxation details. The NTSO will not be advised of this information. The ATO will tell you and the NTSO how much surcharge is payable.

**Q11. What happens if I don't agree with the assessment?**

A11. You may object to the ATO's assessment, in so far as it is based on the calculation of your *adjusted taxable income* under the Taxation Administration Act (the time limit for objecting is 60 days). To do this, you lodge a formal objection with the ATO. You can call the ATO Surcharge Helpline on 1300 651 221 for more information.

**Q12. How will the surcharge affect my benefit?**

A12. Your surcharge debt account balance (if any) at the time you cease employment will be deducted from your benefit entitlement from the scheme.

**Q13. Should I pay as it occurs and how do I make payments?**

A13. It is advisable that members who have a surcharge liability, seek financial advice on the most tax effective method of paying their surcharge liability.

Members can make payments against their surcharge liability to the NTSO by way of quarterly or annual payments. If you wish to make these payments you will need to complete a surcharge payment election form which is available from the NTSO.