



The superannuation contributions surcharge

Who should read this?

Every member whose adjusted taxable income was higher than the surcharge 'lower income amount' from 1996 up until the 2004-05 financial year.

What is in this factsheet?

- What you should know upfront
- What is the superannuation surcharge?
- What is my adjusted taxable income?
- What are surchargeable contributions?
- How am I advised if I have a debt?
- Do I need to provide my Tax File Number (TFN)?
- Amended assessments
- What if I disagree with my assessment?
- How do I pay off my surcharge debt?
- How is interest applied to my surcharge debt?
- What happens if I preserve my benefit in PSS?
- What do I need to do if I receive a surcharge debt assessment after my benefit is paid?
- Payment of surcharge debt from a lump sum benefit
- Payment from a before-tax amount
- Payment of surcharge debt from pension
- Future pension adjustment
- The Commonwealth Superannuation Corporation (CSC) may vary surcharge debt amount
- Surcharge advice
- Where can I get more information?

Financial advice for your needs and goals


Obtaining professional advice from an experienced financial adviser can help you reach your financial goals.

CSC's authorised financial advisers provide 'fee for service' advice, which means you receive a fixed quote upfront. There are no obligations, commissions or hidden fees.

To arrange an initial advice appointment call **1300 277 777** during business hours.

What you should know upfront?

It is important that you read the disclaimer below. Before making any decisions, please read the **PSS Product Disclosure Statement (PDS)** and consider seeking advice from a licensed professional such as a financial planner, accountant or solicitor.

 Information on the personal financial advice service available to PSS members is provided below.

What is the superannuation surcharge?

The surcharge is a tax on surchargeable superannuation contributions and only applies when your adjusted taxable income exceeds the superannuation surcharge lower income amount set out in the law.



Any financial product advice in this document is general advice only and has been prepared without taking account of your personal objectives, financial situation or needs. Before acting on any such general advice, you should consider the appropriateness of the advice, having regard to your own objectives, financial situation and needs. You may wish to consult a licensed financial adviser. You should obtain a copy of the PSS Product Disclosure Statement (PDS) and consider its contents before making any decision regarding your super.

Commonwealth Superannuation Corporation (CSC) ABN: 48 882 817 243 AFSL: 238069 RSEL: L0001397 |
Public Sector Superannuation Scheme ABN: 74 172 177 893 RSE: R1004595

The surcharge was abolished in August 2005 and does not apply from the 2005-06 financial year onwards. Although the surcharge does not apply to current financial years, interest is still applied to any outstanding surcharge debt you may have incurred prior to abolishment. Amendments to previous financial years assessments will also continue to be applied.

Interest will still apply to any surcharge debt you have incurred (see *How is interest applied to my surcharge debt?* section below).

What is my adjusted taxable income?

For most members, adjusted taxable income is usually your taxable income plus your surchargeable superannuation contributions.

What are surchargeable contributions?

In PSS, surchargeable superannuation contributions are your productivity contributions, and the contributions notionally paid by your employer in a financial year.

How am I advised if I have a debt?

Prior to the 2005-06 financial year, we sent the Australian Taxation Office (ATO) details of your surchargeable contributions each year. The ATO matched this information with your taxation records and determined if you had a surcharge liability. If you had a surcharge liability, the ATO advised us and sent you a notification. We have established a surcharge account for each member, and have recorded any surcharge liability against your account.

Do I need to provide my Tax File Number (TFN)?

All members have been asked to provide their TFN to us. It is not compulsory to provide your TFN, but if you do not, you may be assessed for surcharge at the maximum rate if the ATO cannot identify you to ascertain your taxable income.

Note: We are required to validate your TFN with the ATO's records to confirm the TFN provided is yours and correct. Your TFN will be validated before the benefit can be paid using the SuperTICK validation service. If you do not provide your TFN, the processing of the benefit payment may be delayed.

Amended assessments

The ATO may issue an amended surcharge assessment at any time. We can only update our records when we are notified of any changes by the ATO.

There may be delays between when the ATO is notified of changes that may impact your surcharge assessment and when we are advised of the change to your surcharge liability. As a result, it may take some time before we are formally advised of the change and your record is amended.

Because of this delay, you may receive verbal or written advice of an amended assessment from the ATO and conflicting advice from PSS, as details of any change may not have been provided by the ATO to us at the time of your enquiry.

If there is any debit balance in your surcharge debt account at the time your benefit is paid, we are legally obliged to reduce your benefit to recover the debt and to pay the full amount of the surcharge debt recorded to the ATO. This is the case even though you may be able to provide documentary evidence that the ATO has amended the assessment.

Should this situation arise, any overpaid surcharge amount, together with interest, will be paid by the ATO either directly to you, or, where your benefit has been rolled over, to your new superannuation fund.

What if I disagree with my assessment?

If you disagree with the assessment, you may lodge a formal objection with the ATO.

If the disagreement relates to the calculation of the amount of your surchargeable contributions, you can make a request for reconsideration to CSC.

A request for reconsideration needs to be based on material facts. For example, you would need to demonstrate that the calculation of surchargeable contributions was not in accordance with the provisions of the Superannuation Contributions Tax (Assessment and Collection) Act 1997, or you disagree with the data used to calculate surchargeable contributions, such as the salary, age, or membership period.

If still dissatisfied after reconsideration by us, you may lodge a complaint with the Superannuation Complaints Tribunal.

How do I pay off my surcharge debt?

Any surcharge debt can be paid in part or full progressively during your period of membership, or left to accrue with interest at the 10-year Treasury bond rate. Any surcharge debt remaining when your benefit is paid, whether in cash or by transfer/rollover to another fund, will be deducted from your final benefit.

Depending on which option you choose, when the benefit becomes payable you can request that the debt be deducted from either your pension or lump sum benefit.

Any debit balance in your surcharge debt account at 30 June each year will be charged interest at the 10-year Treasury bond rate.

You can make a payment, in part or in full, using BPAY. For details go to **CSC Navigator** at csc.gov.au to login and/or register for online services. Please call **1300 000 377** if you require assistance.

How is interest applied to my surcharge debt?

Any surcharge debt amount remaining at the end of a financial year will be charged interest at the 10-year Treasury bond rate. To avoid the imposition of a full year's interest on a surcharge debt in a particular financial year, you need to ensure that the payment is received by us before the close of business on 30 June that year.

What happens if I preserve my benefit in PSS?

Any surcharge debt remaining at 30 June each year your benefit is preserved in PSS will be charged interest at the 10-year Treasury bond rate.

What do I need to do if I receive a surcharge debt assessment after my benefit is paid?

If a surcharge debt assessment is received by us after your benefit has been paid, it will be referred back to the ATO. The ATO will either re-issue the assessment to the new provider where your benefit has been rolled over to another fund or, where all or part of your benefit has been paid out, the assessment will be issued to you for payment direct to the ATO.

If you take all or part of your PSS benefit as a pension and you receive a surcharge debt assessment from the ATO after the pension commences, you can request us to deduct the surcharge debt from your pension.

Payment of surcharge debt from a lump sum benefit

If a surcharge debt is to be paid from your benefit and there is a lump sum only benefit payable, or if you elect for a pension and a lump sum and would like the debt applied to your lump sum, your lump sum is reduced by the surcharge debt amount recorded at the time your benefit is determined.

Payment from a before-tax amount

As your benefit is reduced by the surcharge debt amount before it is paid, the amount applied to pay the debt does not form part of taxable income, and is not subject to the tax that would otherwise apply to your pension or lump sum. In other words, the payment is made from a before tax amount.

Payment of surcharge debt from pension

Payment of a surcharge debt from your pension is achieved by converting the surcharge debt to an annual pension reduction amount, and your pension is reduced by that amount.

Your annual pension reduction amount is determined by dividing the lump sum surcharge debt by a pension surcharge conversion factor (see following page).

Example.

Payment of surcharge debt from PSS indexed pension	
Surcharge debt amount	\$10,000
Age in completed years at date of commencement of pension	60
Pension per year before reduction	\$36,000
Pension per year before reduction $\frac{\$10,000}{17.7} = \564.97	- \$564.97
Indexed pension payable after reduction	\$35,435.03

Future pension adjustment

Once the pension reduction amount is subtracted from the initial amount of your pension, your remaining pension is subject to adjustment in the normal manner on the first pension payday in January and July each year, in accordance with any upward movement in the Consumer Price Index.

CSC may vary surcharge debt amount

If you have a surcharge debt at the time your benefit is paid, CSC must determine the surcharge deduction amount that is fair and reasonable.

This means that CSC may vary your surcharge debt amount when your benefit is paid. The PSS scheme rules specify that CSC must take certain matters into account in making such a determination. In particular, the PSS rules specify that the surcharge debt amount cannot be more than 15% of the employer component of your benefit accrued from 20 August 1996 to 30 June 2003, 14.5% for the 2003-04 financial year and 12.5% for the 2004-05 financial year. CSC has issued guidelines to the effect that the surcharge deduction amount will ordinarily be the same as the amount of the surcharge debt (that is, the surcharge amount already assessed by the ATO is the correct amount), unless:

- in special circumstances relating to the retiree, deduction of that amount would cause the retiree to suffer an unfair or unreasonable financial detriment
- or
- the amount of the surcharge debt was based on an incorrect calculation of surchargeable contributions.

A surcharge debt amount can only be varied if you have a surcharge debt at the time your benefit is paid. If a surcharge debt is paid before we pay your benefit CSC cannot alter the surcharge debt amount.

If a surcharge debt amount is paid in full before your benefit is paid and CSC would have subsequently reduced the amount of the debt had it not been paid, a refund of the difference between the amount paid and what would have been the new debt cannot be claimed from the ATO.

Surcharge advice

You will become aware of a superannuation surcharge liability from the ATO's assessment advice. As well, your annual member statement will provide details of your surcharge debt account.

Schedule

Conversion factors required under PSS rule 15.1.9*

Age in completed years at date of commencement of pension	Conversion factor
15	26.7
16	26.6
17	26.5
18	26.4
19	26.3
20	26.2
21	26.1
22	26.0
23	25.9
24	25.8
25	25.7
26	25.6
27	25.5
28	25.4
29	25.3
30	25.2
31	25.1
32	24.9
33	24.8
34	24.6
35	24.5
36	24.3
37	24.1
38	24.0
39	23.8
40	23.6
41	23.4
42	23.2

Age in completed years at date of commencement of pension	Conversion factor
43	23.0
44	22.7
45	22.5
46	22.2
47	22.0
48	21.7
49	21.4
50	21.1
51	20.8
52	20.5
53	20.2
54	19.9
55	19.5
56	19.2
57	18.9
58	18.5
59	18.1
60	17.7
61	17.3
62	16.9
63	16.5
64	16.1
65	15.7
66	15.2
67	14.8
68	14.3
69	13.9
70	13.4

* Federal Register of Legislative Instruments F2008B00497

How can I get more information?

The ATO is the primary point of contact for enquiries on the superannuation contributions surcharge and related matters. The ATO helpline is **13 10 20**.

If you would like more information on the super surcharge and the effects on your superannuation please contact us on:



Call **1300 000 377** (Monday to Friday, 8:30 am–6:00 pm AEST/AEDT)
Overseas **+61 6275 7000**



Email members.aps@contact.csc.gov.au



Mail **PSS GPO Box 2252
Canberra ACT 2601**

Any financial product advice in this document is general advice only and has been prepared without taking account of your personal objectives, financial situation or needs. Before acting on any such general advice, you should consider the appropriateness of the advice, having regard to your own objectives, financial situation and needs. You may wish to consult a licensed financial adviser. You should obtain a copy of the relevant Product Disclosure Statement and consider its contents before making any decision regarding your super.

