



# Superannuation Contributions Surcharge

## Payment of the surcharge debt

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

When the benefit becomes payable you can request that the debt be deducted from:

- the Employer Lump Sum Benefit before it is paid as a lump sum or converted to pension
- or
- the Pension Benefit after conversion of the employer lump sum to pension
- or
- the Member Benefit before it is paid as a lump sum.

## Payment of surcharge debt from pension

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

The annual pension reduction amount is determined by dividing the lump sum surcharge debt by a MilitarySuper pension surcharge reduction factor as shown in the following table.

## The superannuation surcharge – overview

The Superannuation Contributions Surcharge was a tax on surchargeable superannuation contributions. The Superannuation Surcharge was abolished from July 2005. Any outstanding debts, however, are still required to be paid.



Military  
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## MilitarySuper pension surcharge reduction factors

Age at last birthday prior to start of pension	Conversion factor	Age at last birthday prior to start of pension	Conversion factor
15	24.7	43	21.7
16	24.6	44	21.5
17	24.6	45	21.4
18	24.5	46	21.2
19	24.5	47	20.9
20	24.4	48	20.7
21	24.3	49	20.5
22	24.2	50	20.3
23	24.2	51	20.0
24	24.1	52	19.8
25	24.0	53	19.5
26	23.9	54	19.3
27	23.8	55	19.0
28	23.7	56	18.7
29	23.6	57	18.4
30	23.5	58	18.1
31	23.4	59	17.8
32	23.3	60	17.5
33	23.2	61	17.1
34	23.1	62	16.8
35	23.0	63	16.4
36	22.8	64	16.1
37	22.7	65	15.7
38	22.5	66	15.3
39	22.4	67	14.9
40	22.2	68	14.6
41	22.1	69	14.1
42	21.9	70	13.7

### Example—payment of surcharge debt from MilitarySuper indexed pension

Surcharge debt amount	\$10,000
Age in completed years at commencement of pension	55
Pension per year before reduction	\$40,000
Calculation of pension reduction amount	$\frac{\$10,000}{19} = \$526.32$
Indexed pension payable after reduction	\$39,473.68

## Interest on the 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 the surcharge debt in a particular financial year, the payment must be received by us before the close of business on 30 June that year.

If you wish to make a payment, in full or part, it should be sent directly to us by way of a Surcharge Remittance Advice form (SUR-DM1). This form can be downloaded from the CSC website.

Alternatively, you can attach to the payment a note that clearly states your full name, address, service number, scheme name, and that the payment is to be credited to your surcharge account.

If a surcharge debt is to be paid from a MilitarySuper benefit and a member elects for a Lump Sum Only Benefit, or where pension is payable and a member elects to have the debt applied to the lump sum instead of the indexed pension, the lump sum is reduced by the surcharge debt amount recorded at the time the benefit is determined.

## Payment from a before tax amount

As the benefit is reduced by the surcharge debt amount before it becomes payable, 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 the pension or lump sum. In other words, the payment is made from a before tax amount.

## Benefit preserved in MilitarySuper

A benefit that is preserved in MilitarySuper will not be subject to any further surchargeable contributions assessment, however, any surcharge debt remaining at 30 June each year the benefit is preserved will be charged interest at the 10 year Treasury bond rate.

## Surcharge debt assessment received after payment of benefit

Any surcharge debt assessment received after ceasing membership and payment of the benefit is either sent on to the new superannuation fund for payment (where the full benefit is rolled-over/transferred to another fund), or, where all superannuation entitlements are paid out as cash, the debt becomes payable by the individual direct to the Australian Tax Office (ATO).

## Disagreement with assessment

A member who disagrees with the assessment, in so far as it is based on adjusted taxable income, may lodge a formal objection with the ATO.

If the disagreement relates to the calculation of the amount of surchargeable contributions, a request for reconsideration may be made to us.

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

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

## Considerations on reducing the debt

Whether it is preferable to pay any surcharge debt progressively during the period of membership or to leave the debt until the benefit becomes payable, depends on each member's personal circumstances.

You need to consider your own financial situation when deciding whether to pay any surcharge debt progressively as it arises, or leave the debt until the benefit becomes payable, and then, whether it may be preferable to have the debt deducted from the MilitarySuper benefit due or paid from other sources. You may wish to seek professional financial and taxation advice on these matters.

## Board may vary surcharge debt amount

If a member has a surcharge debt at the time benefits become payable, we must determine the surcharge deduction amount that is fair and reasonable.

This means that we may vary the surcharge debt amount when benefits become payable. MilitarySuper Scheme Rules specify that we must take certain matters into account in making such a determination.

We have issued guidelines to the effect that a 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 a member has a surcharge debt at the time benefits become payable. If a surcharge debt is paid before benefits become payable the Board cannot alter the surcharge debt amount.

If a surcharge debt amount is paid in full before benefits become payable and we 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.

## Enquiries

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** for the cost of a local call.

If you have an enquiry about our administration of the surcharge, you can call us on **1300 006 727**. Alternatively, you can email your enquiries to **members@enq.militarysuper.gov.au**

## How can I get more information?



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