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What is Superannuation contributions surcharge?

Super Contributions Surcharge is an additional tax on certain contributions made to a super fund after 20 August 1996 and before 1 July 2005.

Although the Commonwealth government abolished super surcharge, it does not affect any existing and future surcharge liabilities that arise for certain contributions made between 20 August 1996 and 30 June 2005.

As a member of constitutionally protected funds like Gold State Super, Pension Scheme and West State Super, you are not required to pay your surcharge liability until you have left the fund or begin receiving a pension. Therefore you may still have a future obligation under the surcharge legislation. It generally affects members who earn higher incomes.

Who determines the surcharge liability

The Australian Taxation Office (ATO) calculates your surcharge liability. This is based on information provided by us and yourself when you lodge your income tax return.

When surcharge applies

Surcharge may need to be paid if your adjusted taxable income is over a certain amount.

Generally your adjusted taxable income is the total of your taxable income plus reportable fringe benefits and surchargeable contributions.

Your adjusted taxable income is compared to the lower and higher income limits to determine the rate of surcharge that will apply to your surchargeable contributions.

If your adjusted taxable income is equal or below the lower income limit for the financial year, then you do not have to pay surcharge.

If your adjusted taxable income exceeds the higher income limit, then the maximum surcharge rate applies to your surchargeable contributions.

If your adjusted taxable income is between the lower and higher limit, a reduced surcharge rate applies to the surchargeable contribution. The surcharge tax rate is calculated using the following formula:

$$\text{Surcharge rate} = \frac{\text{Adjusted taxable income} - \text{Lower income limit}}{A}$$

The amount 'A' is different each financial year and is listed in the table below.

Thresholds and surcharge rates

Income Year	Lower income amount	Higher income amount	A (divisor used in rate formula)
2005 – 2006 onward	Surcharge has been abolished		
2004 – 2005	\$99,710	\$121,075	1,709.20000
2003 – 2004	\$94,691	\$114,981	1,399.31034
2002 – 2003	\$90,527	\$109,924	1,295
2001 – 2002	\$85,242	\$103,507	1,219
2000 – 2001	\$81,493	\$98,955	1,165
1999 – 2000	\$78,208	\$94,966	1,118
1998 – 1999	\$75,856	\$92,111	1,084
1997 – 1998	\$73,220	\$88,910	1,046
1996 – 1997	\$70,000	\$85,000	1,000

Financial Year	Maximum surcharge rate
2004 – 2005	12.5%
2003 – 2004	14.5%
1997 – 2003	15%

Surchargeable contributions

Surchargeable contributions are certain super contributions that may have surcharge applied to them. Your surchargeable contributions will depend on the type of fund you are a member of.

Accumulation funds like West State Super

Surchargeable contributions include:

- Employer contributions, including salary sacrifice
- Personal contributions for which you claimed a tax deduction
- The post 20 August 1996 component of an employer eligible termination payment rolled over on or after 1 July 1997, and
- Any amount allocated to your account on or after 1 July 1997 that has been reported by us as an allocated surplus amount

We would have reported these contributions (if applicable) to the ATO annually on the super member contributions statement.

Defined benefit funds like Gold State Super and Pension Scheme

Surchargeable contributions are determined by an actuary using a formula.

We would have reported the notional surchargeable contributions provided by the actuary and any salary sacrificed contributions to the ATO annually on the super member contributions statement.

Additional ATO reporting requirements

We lodge a super member exit statement for constitutionally protected funds when a:

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

The information on this statement enables the ATO to calculate the member's final liability.

How the ATO collects the surcharge from you

The ATO keeps a surcharge debt account for you to record the surcharge assessed on the surchargeable contributions reported by us for the 1997 to 2005 financial year.

Interest is added to the surcharge debt account based on the outstanding balance at 30 June each year using the 10 year Treasury bond rate.

You can choose to make a voluntary payment to the ATO at any time to reduce the balance of your surcharge debt account. However, you may be disadvantaged by making a payment before your final liability is calculated.

The ATO calculates your final liability after we lodge a super member exit statement for your constitutionally protected fund. The ATO will send you a Notice of final liability. You will need to pay this amount within three months.

Your final liability is the lesser of:

- The balance of your surcharge debt account held by the ATO, or
- A percentage of the employer financed component of the benefit payable to you (or rolled over) that accrued after 20 August 1996 and before 1 July 2005. (Please note this amount is only known when the Final Benefit is paid)

We recommend that you seek professional advice before making any voluntary payments to the ATO.

Other ways of paying your surcharge liability

We provide a facility for you to make the surcharge payment in a tax-effective manner. You can authorise us to withhold part of your final benefit to meet your surcharge liability. This amount will be deducted tax free from your final benefit so you can pay your surcharge liability to the ATO. It will be held in a surcharge liability account.

If you wish to take advantage of this facility, please complete a '**Benefit access**' form. To obtain the relevant form, contact your Member Services Centre on 13 43 72. You can also fill out the '**Retirement Income Allocated Pension Application**' form available at gesb.wa.gov.au/forms.

When you receive your Notice of final liability then you must send us a copy. We will close your surcharge liability account and will make a cheque payable to the ATO and that will be sent to you for you to pay to the ATO. If the amount is not enough to cover the liability, you will need to pay the shortfall. Any residual balance in the surcharge liability account will be paid out to you and will be subject to any applicable tax.

For further information about the Superannuation Contributions Surcharge, please visit the ATO website at ato.gov.au.

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