Superannuation Surcharge Guide

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This is the *Superannuation Surcharge Guide*. It explains the superannuation surcharge and what you can do if you have a surcharge debt. You can use the *Surcharge Debt Payment* form at the back of the guide to make a payment towards your surcharge debt.

What is the superannuation surcharge?

The superannuation surcharge was a tax introduced by the government in 1996 and it applied to super contributions once your adjusted taxable income went over a certain amount.

It was processed differently to other taxes on superannuation. Rather than super funds deducting the tax at the time the contributions were received, super funds receive surcharge assessments from the Australian Taxation Office (ATO) regarding the debt.

This tax was removed in 2005, so the superannuation surcharge no longer applies to any super contributions or eligible employer termination payments made on or after 1 July 2005. This means your ATO assessment for the 2004-05 financial year is the final one the surcharge applies to.

While the surcharge no longer applies, you might still have an existing surcharge debt recorded against your super from before the tax was removed.

If you have a surcharge debt, you have a number of options for managing it. You can pay the debt at any time, or leave the debt to accumulate and pay it when you access your super.

We explain your options in this guide and include some examples to show you how the different choices might affect you. The legislation around the superannuation surcharge is quite complex, so personal financial advice can help you find out how this tax affects you and decide the best way to handle your surcharge debt.

Does the superannuation surcharge apply to me?

The surcharge applies to you if your adjusted taxable income was over the surcharge threshold in the years listed in the table below. If the surcharge did apply to you, the superannuation surcharge on relevant contributions (explained on page 4) was worked out at a rate of 1% for every $1,709 of adjusted taxable income over $99,710 for the 2004-05 financial year.

What is adjusted taxable income?

Your adjusted taxable income generally includes:

- Your salary, pension payments, capital gains, rents, dividends, and interest,
- Employer contributions to your super
- Any salary sacrifice contributions you made to your super
- Any contributions to super that you claimed a tax deduction for
- Reportable fringe benefits total.

Your adjusted taxable income does not include lump sum payments for annual or long service leave paid out on voluntary early retirement.

Year	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06 onwards surcharge abolished
Minimum annual income to pay surcharge	$70,000	$73,220	$75,856	$78,208	$81,493	$85,242	$90,527	$94,691	$99,710	n/a
Rises by 1% at every	$1,000	$1,046	$1,084	$1,118	$1,165	$1,219	$1,295	$1,399	$1,709	n/a
Maximum surcharge rate	15%	15%	15%	15%	15%	15%	15%	14.5%	12.5%	n/a
Annual income surcharge is capped above	$85,000	$88,910	$92,911	$94,966	$98,955	$103,507	$109,924	$114,981	$121,075	n/a

Surcharge process

How your surcharge was processed

1. We reported your surchargeable contributions to the ATO.
2. The ATO used this info, along with your tax return, to calculate your adjusted taxable income (including your salary and other income, employer and salary sacrifice contributions to your super, and contributions you have claimed a tax deduction for).
3. The ATO used the surcharge thresholds (shown in the table on page 3) to work out if there was a surcharge liability.
4. If you were affected, the ATO sent you a notice about the assessment and also sent a copy to us.

What the surcharge means for your super

If the ATO sends us a surcharge assessment for you, we are required to record a surcharge liability against your Accumulation account. We apply interest on this account at the Australian Government's 10-year bond rate as at 30 June each year.

You can pay off the debt at any time, or pay the debt from your super once you can access it (generally when you permanently retire and reach your preservation age).

What are surchargeable contributions?

Your surchargeable contributions generally include your employer contributions, salary sacrifice contributions you made as voluntary or standard contributions, and any contributions you have claimed a tax deduction for.

If you have an Accumulation account, the surcharge was applied to the total surchargeable contributions paid into your super account during the relevant financial year.

If you have a Defined Benefit account, your employer contributions are not paid into your account. They are paid into a pool of money that is used to pay the benefits of all Defined Benefit members as required. Your surchargeable contributions were therefore determined using a formula calculated by the State Government Actuary. The formula worked out a notional surchargeable contribution (based on your age, gender, and contribution rate) and this amount represents the employer contributions towards your defined benefit each year.

If you have a surcharge debt, your surchargeable contributions can be found on your annual statement.

Other amounts

Any taxable benefits you received from your employer for voluntary early retirement might also have the surcharge applied to them. If you have other super accounts apart from of your QSuper account, contributions to the other fund might also have the surcharge applied to them.

Your options for paying a surcharge

Option 1 – Pay off your debt

If your surcharge debt is small, you might want to just pay it off. If you decide to do this, you should think about the timing of your payment, as interest is added to your debt at the end of each financial year.

If you would like to make a payment on your debt, please complete the *Surcharge Debt Payment* form at the back of this guide. If you have any questions about completing the form, please contact us.

You can check your surcharge debt and any transactions on your account such as interest and payments in Member Online or in your annual statement from us.

Option 2 – Let the debt grow and pay it later when you access your super

If you leave your debt, it is held against your super. In most cases, the debt is deducted from your super when you make your first withdrawal or rollover from your account.

Interest is added to your debt on 30 June each year at the Australian Government 10-year Treasury bond rate. We are required to add interest as if your debt existed for the whole year. This means you will be charged interest for the whole year, even if the debt applied for less than a year.

Your surcharge debt is deducted before most of our income streams start, including payments from State or Police accounts, Income accounts, or total and permanent disability payments.

Option 3 – Let the surcharge debt grow and make voluntary contributions from your after-tax income

Another option is to make a non-concessional (after-tax) voluntary contribution equal to the amount of your debt, noting that past performance is no guarantee of future performance. You can invest this money in an investment option of your choice that may offer higher returns than the rate of interest charged on your debt, noting that past performance is no guarantee of future performance.

You can contribute up to $100,000 in a financial year before you exceed the contributions cap. If your total superannuation balance is $1.6 million or greater at 30 June of the previous financial year, any further non-concessional contributions will be classified as excess contributions and additional tax may apply.

When you access your super and you pay the surcharge debt and interest, the voluntary contribution and investment returns may be able to indirectly offset the cost of paying your debt.

Depending on your investment choice, the return you get from voluntary contributions might or might not be higher than the interest charged on your debt over the long term. This is because the interest is charged at the 10-year Treasury bond rate.

Option 4 – Make after-tax contributions to your spouse's super

If your spouse has a low super balance, you might want to make after-tax contributions to their super to indirectly offset the debt and take advantage of the 18% spouse tax offset for the first $3,000 paid each year. This does not clear your debt and you will still have to pay it later on.

From 1 July 2017, the maximum offset of $540 applies only if your spouse earns less than $37,000 in the financial year and it cuts out once they earn more than $40,000. For more information or to make a spouse contribution, please see the *Spouse Deposit* form on our website or call us to request a copy.

Option 5 – Your spouse makes an after-tax contribution to their account to indirectly offset your debt

If your spouse makes a personal after-tax contribution to their own account to indirectly offset your surcharge debt, they might also be eligible for a super co-contribution from the Australian Government.

For more information on spouse contributions, other after-tax contributions, super co-contributions, and contribution limits, see the *Personal Contributions Guide* on our website or call us to request a copy.

Important note for options 3, 4, and 5 – after-tax contributions:

If you make contributions from after-tax income, you have already paid tax on this money at your marginal tax rate. These contributions remain tax-free when you withdraw them. You need to think about whether this strategy is best for you and check the contribution limits. Read the *Personal Contributions Guide* on our website for more information, or call us to request a copy.

What if I withdraw my super?

When you withdraw your superannuation benefit, the ATO will make an assessment on your surcharge liability. The assessment will tell you any surcharge debt you owe, and you will be personally responsible for paying it.

If the ATO sends us an assessment after you have withdrawn your benefit, we will ask the ATO to send it directly to you. If you have transferred your superannuation to another fund, we will ask the ATO to send your assessment to that fund.

When do I have to pay the surcharge debt?

Generally, you have to pay your surcharge debt when you first withdraw your super. (Note that super is tax-free once you reach age 60.)

Example	
Super at retirement	$100,000
Less surcharge debt with interest	$10,000
Superannuation benefit to be taxed (if applicable)	$90,000

1 Plus applicable levies (e.g. Medicare levy).

For more information

Information about your surcharge or our forms

If you have any questions about this information, or you would like assistance finding out your current surcharge liability and completing our forms, please call us on **1300 360 750**.

Personal financial advice

To get personal financial advice on how to handle your surcharge debt and to help you get the most from all your money, you might want to get some personal financial advice. As a QSuper member, you have access to personal advice with QInvest.[1] To book an appointment, call **1800 643 893** or visit **qinvest.com.au**

1 QInvest Limited (ABN 35 063 511 580, AFSL 238274) is a separate legal entity responsible for the financial services and credit services it provides. Advice fees may apply. Refer to the *Financial Services Guide* for more information.

Surcharge Debt Payment

When to use this form

If you need to make a surcharge debt payment, please fill out this form, make your payment, and we will take care of the rest.

You can make payments by cheque, money order, or EFTPOS. If you pay with a cheque or money order, please make it payable to QSuper.

For more information, please read our *Superannuation Surcharge Guide* on **qsuper.qld.gov.au/guides** or call us to request a copy.

1 Personal details

Title

Given names

Surname

Previous name[1] (if we know you by another name)

Date of birth (dd/mm/yyyy)

Home phone number

Mobile phone number

Work phone number

Email address

Residential address

State Postcode

Postal address ◯ As above

State Postcode

2 QSuper account details

Account number

Your account number can be found in your annual statement or by logging in to Member Online.

Payment amount

$

3 Authorisation

Signature

Date (dd/mm/yyyy)

1 If you have changed your name, you will need to give us certified copies of either a marriage certificate or other legal change of name document.

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