



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 fact sheet?

- > What you should know up front
- > 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?
- > Amended assessments
- > What if I disagree with my assessment?
- > How do I pay my surcharge debt?
- > How is interest applied to my surcharge debt?
- > What happens if I preserve my benefit in the 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
- > ARIA may vary surcharge debt amount
- > Surcharge advice
- > Where can I get more information?

What you should know up front

It is important that you read the disclaimer at the end of this fact sheet. Before making any decisions, please read the **PSS product disclosure statement** and consider seeking advice from a licensed professional such as a financial planner, accountant or solicitor.

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.

The surcharge was abolished in August 2005 and will not apply from the 2005/06 financial year onwards. However, members whose adjusted taxable income is more than the lower threshold of \$99,710 will still be subject to the tax for 2004/05. 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?' on page 3).

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 the 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?

All members have been asked to provide their Tax File Number (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.

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 on 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 the PSS, as details of any change may not have been provided by the ATO to the PSS 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 the new superannuation provider.

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 ARIA.

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, 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 **Member Services Online** at www.pss.gov.au. You'll need an access number to use this service. If you don't have one, or you've misplaced it, call us on 1300 000 377 and we can give you one over the phone.

Alternatively, you can send a cheque to us accompanied by a **Contributions surcharge remittance advice** form. We also accept cheques with a note attached that clearly states your full name, address, AGS number, scheme membership (PSS), and a comment that the payment is a credit to your surcharge account.

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 the PSS?

Any surcharge debt remaining at 30 June each year your benefit is preserved in the 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 reduction factor.

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 \$10,000 ----- = \$564.97 17.7	- \$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.

ARIA may vary surcharge debt amount

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

This means that ARIA may vary your surcharge debt amount when your benefit is paid. The PSS Scheme rules specify that ARIA 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.

ARIA 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 ARIA cannot alter the surcharge debt amount.

If a surcharge debt amount is paid in full before your benefit is paid and ARIA 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.

Where 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 **1300 651 221**.

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

EMAIL members@pss.gov.au

PHONE 1300 000 377

FAX 02 6272 9613

MAIL PSS
PO Box 22
Belconnen ACT 2616

WEB www.pss.gov.au

Warning - This Document Contains General Advice or Information Only

Any advice in this document has been prepared without taking account of your personal objectives, financial situation or needs. Because of this, you should, before acting on any advice in this document, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. You may wish to consult a licensed financial planner to do this.

Australian Reward Investment Alliance
(ARIA) ABN: 48 882 817 243 AFSL: 238069
RSE Licence no: L0001397,
Trustee of the Public Sector
Superannuation Scheme (PSS)
ABN: 74 172 177 893 RSE: R1004595