

Superannuation Surcharge



Australian Government
Defence Force Retirement &
Death Benefits Scheme

DFo6 - December 2008

What is the superannuation surcharge?

The Superannuation Contributions Surcharge is a tax on surchargeable contributions. In the DFRDB, surchargeable contributions are those notionally paid by your employer in a financial year, i.e. the contributions that would be required to progressively fund the main part of your employer benefit, including the productivity component, if the scheme operated in that way.

The rate of superannuation surcharge tax varies between 0% and 15% of surchargeable superannuation contributions, depending on your adjusted taxable income in a particular financial year (the maximum rate for 2004–05 is 12.5%). Your adjusted taxable income is usually your taxable income plus the value of the surchargeable superannuation contributions that ComSuper reports to the Australian Taxation Office (ATO) plus any reportable fringe benefits.

You will incur a surcharge liability when your adjusted taxable income is above the superannuation surcharge lower threshold amount. The threshold was set at \$70 000 from August 1996 and had increased to \$99 710 for the financial year 2004–05.

What happens if the ATO determines that you have a surcharge liability?

If you incur a superannuation surcharge liability the ATO will send you an assessment advice and advise ComSuper of the amount of surcharge debt assessed. If you have used an accountant to prepare your tax return, the assessment will normally be sent to your accountant.

Your annual DFRDB member statement provides details of your surcharge debt account and records any surcharge assessments advised by the ATO, together with any payments you make and any interest charged.

When are the assessments made?

The ATO advises ComSuper of surcharge assessments in February, May, August and November. Normally it is in February or May of each year that assessments are issued for the preceding financial year.

Can I get an assessment if my actual income is less than the surcharge threshold?

Yes, there are two circumstances where this could happen.

- If the combined total of the value of surchargeable superannuation contributions made on your behalf plus your taxable income plus any reportable fringe benefits exceeds the surcharge threshold.
- If you have not provided a tax file number to ComSuper or the ATO is unable to match your superannuation records with your income tax records, a default assessment at the maximum surcharge rate may be applied regardless of the level of your income.

What can I do if I am unhappy with the amount of surcharge assessed?

If you believe that a surcharge assessment is incorrect, you can ask the ATO to review the assessment. Where the ATO finds your initial assessment was incorrect it will advise ComSuper (which will adjust your surcharge debt account) or, if you have paid the surcharge, you will receive a refund from the ATO.

ComSuper cannot refund payments of surcharge debt as once you pay the debt to ComSuper, whether by cheque or money order during service or from your benefit, the amount is sent to ATO.

How can I pay the 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 and deducted from your benefit.

Surchargeable contributions reported to the ATO are calculated on the assumption that you will be entitled to a certain level of employer benefit. However, if when you leave the ADF you do not receive that assumed level of employer benefit, e.g. you become entitled to a resignation benefit only or are a maximum benefits member, any outstanding surcharge debt may be reduced.

DFRDB Customer Service Centre

1300 001 677

FACT SHEET

Superannuation Surcharge



Australian Government
Defence Force Retirement &
Death Benefits Scheme

DFo6 - December 2008

The question of whether you should repay the debt during your period of service or wait until your retirement should be analysed in the light of your own particular circumstances and with the help of professional advice.

How is the surcharge debt deducted from my benefit?

Any outstanding surcharge debt is deducted from your Productivity lump sum. However, you can elect to have it deducted from your DFRDB lump sum or pension benefit. For lump sums, surcharge debts are deducted from the gross lump sum. Pensions are reduced by an amount calculated by dividing the surcharge debt by a pension reduction factor. This aims to recover the debt, from your gross pension entitlement, over your expected lifetime. The remaining pension is adjusted with upward movements in the CPI in the normal manner.

Note that if you commute retirement pay after exit, any outstanding surcharge debt must be recovered from your productivity lump sum or retirement pay pension.

Who pays the debt if my benefit is split under Family Law?

The full amount of any outstanding surcharge debt is deducted from your share of the benefit. It is not apportioned between your benefit and the non-member spouse benefit

What happens if I have a debt assessed after my benefit has been paid?

Surcharge assessments can be made 18 months to two years after your leave the service. If this occurs you will be required to pay the full debt amount to the ATO.

If you need more information ...

Phone: Customer Service Centre 1300 001 677
Fax: (02) 6272 9616
Website: www.dfrdb.gov.au
Email: members@dfrdb.gov.au
Post: PO Box 22
Belconnen ACT 2616
Visit: Unit 4 Cameron Offices
Chandler Street Belconnen
ACT 2617
ABN: 50 925 523 120
SPIN: CMS0103AU

Note: This document contains general advice or information only

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. Therefore, before acting on any such general advice, you should consider the appropriateness of the advice, having regard to your own objectives, financial situation or needs. You may wish to do so with or without the assistance of a licensed financial adviser.

DFRDB Customer Service Centre
1300 001 677

FACT SHEET