

Superannuation Contributions Surcharge

Military Super

AFSL: 238395
ABN: 50 925 523 120
Board ABN: 72 406 779 248

MB15 - June 2009

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.

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 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 table below.

MilitarySuper pension surcharge reduction factors

Age in completed years at start date of pension	Pension reduction factor	Age in completed years at start date of pension	Pension reduction factor	Age in completed years at start date of pension	Pension reduction factor
65	14.7	55	18.1	45	20.6
64	15.1	54	18.4	44	20.8
63	15.5	53	18.7	43	21.0
62	15.9	52	19.0	42	21.2
61	16.2	51	19.2	41	21.4
60	16.6	50	19.5	40	21.6
59	16.9	49	19.7	39	21.7
58	17.2	48	19.9	38	21.9
57	17.5	47	20.2	37	22.0
56	17.8	46	20.4	36	22.2

The pension surcharge reduction factors increase progressively for ages under 36. The full set of pension reduction factors for ages 15 to 65 is on the MilitarySuper website.

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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}{18.1} = \522.49
Indexed pension payable after reduction	\$39 447.51

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 ComSuper before the close of business on 30 June that year.

If you wish to make a payment, in part or in full, it should be sent directly to ComSuper under cover of a Surcharge Remittance Advice form SUR-DM1. This form can be downloaded from the MilitarySuper 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 ATO.

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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 the Board of Trustees.

A request for reconsideration would need to be based on material facts. For example, you would need to demonstrate that ComSuper 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 ComSuper used to calculate surchargeable superannuation contributions, such as the NSCF used, or the salary, age, or membership period.

If still dissatisfied after reconsideration by the Board, 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, the Board must determine the surcharge deduction amount that is fair and reasonable.

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

The Board has 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 the Board 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 ComSuper's administration of the surcharge, you can call ComSuper on 1300 006 727. Alternatively, you can email your enquiries to members@enq.militarysuper.gov.au

Customer Service Centre
1300 006 727

FACT SHEET

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If you need more information ...

Phone: Customer Service Centre 1300 006 727
Fax: (02) 6272 9617

Website: www.militarysuper.gov.au
Email: members@enq.militarysuper.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

MilitarySuper is administered by ComSuper on behalf of the Military Superannuation and Benefits Board of Trustees. If you need further information about any aspect of your MilitarySuper membership, contact ComSuper directly, or ask your Unit Pay Officer.

Other editions in this information series are available from your Pay Office and include:

- About to leave the ADF?
- Dependants' Benefits
- Invalidity Benefits
- Leave Provisions
- Taxation of Lump Sums
- Rejoining the ADF
- The Productivity Benefit
- Summary of the Scheme
- Superannuation Contributions Surcharge

MilitarySuper Book, an overview of the scheme, is also available.

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.

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