

## Payment of Surcharge Assessments received after being paid a Benefit or Pension Commencement

This fact sheet gives you information about the 'post-exit' surcharge assessments received from the Australian Taxation Office (ATO) after you have taken a benefit from the scheme. The information is relevant to members of the State Authorities Superannuation Scheme (SASS), the State Superannuation Scheme (SSS) and the Police Superannuation Scheme (PSS).

While you were an active member of SASS, SSS or PSS, surcharge assessments were issued to the relevant scheme and accumulated in a debt account. The account accrued interest until the amount was extinguished. The debt could be paid off at any time, however if any balance remained in the debt account at the time a benefit was paid, the benefit would have been reduced accordingly.

The surcharge amount payable by a member is subject to a maximum amount (the surcharge cap). Surcharge amounts, including any voluntary payments made from time to time and any interest thereon, in excess of this surcharge cap are paid by the scheme. The calculation of the surcharge cap, the amount of surcharge to be paid by a member and the amount to be paid by the scheme is assessed at the time a benefit is paid or a pension commences.

More information regarding the surcharge cap and surcharge in general can be found in STC Fact Sheet 1 *Information about the Commonwealth contributions surcharge*.

### What happens if the ATO issues a surcharge assessment after you have been paid a benefit or commenced a pension?

The surcharge is a Commonwealth Government tax that was levied on the surchargeable superannuation contributions of higher income individuals from 1997 to 2005. The legislation was amended to effectively remove any new surcharge assessments in respect of employer superannuation contributions made for employer-financed benefits accruing to members after 30 June 2005.

However, the ATO can issue surcharge assessments in respect of surchargeable contributions up to 30 June 2005. It is possible that the ATO may issue an assessment to a member who has been paid a benefit or commenced to be paid a pension from the scheme. In this situation, the ATO will issue the surcharge assessment:

- Directly to you if you have taken a lump sum or commenced a pension. You are then required to make a direct payment to the Tax Office.
- To your rollover fund if your benefit was rolled over to another fund. Your rollover fund is then required to take payment out of the amount rolled over.

### Measuring a surcharge assessment against your surcharge cap

If the ATO issues a post-exit surcharge assessment directly to you the rules of SASS, SSS and PSS allow a former member to apply to have post-exit surcharge assessments measured against the surcharge cap. As a result, on approving the application, the scheme will pay the amount of any post-exit surcharge assessment that is in excess of your surcharge cap. If you are receiving a SSS or PSS pension, this will not result in any reduction of pension.

The STC schemes are administered by Mercer Administration Services (Australia) Pty Ltd on behalf of the schemes' trustee, SAS Trustee Corporation (STC). STC is governed by the *Superannuation Act 1916*, the *State Authorities Superannuation Act 1987*, the *State Authorities Non-contributory Superannuation Act 1987*, the *Superannuation Administration Act 1996* and the *Police Regulation (Superannuation) Act 1906*. The schemes are also subject to Commonwealth superannuation and tax legislation.

STC has published this fact sheet. STC is not licenced to provide financial product advice in relation to the STC schemes or to their members.

Reasonable care has been taken in producing the information in this fact sheet and nothing in it is intended to be or should be regarded as personal advice. If there is any inconsistency between the information in this fact sheet and the relevant scheme legislation, the scheme legislation will prevail. In preparing this fact sheet, STC has not taken into account your objectives, financial situation or needs. You should consider your personal circumstances, and possibly seek professional advice, before making any decision that affects your future.

To the extent permitted by law, STC, its directors and employees do not warrant the accuracy, reliability or completeness of the information contained or omitted from this fact sheet.

## Commuting part of your pension to pay an assessment

If you are receiving a pension from PSS or SSS, you will be able to choose to commute part of your pension in order to pay the portion of an assessment that is payable by you (i.e. the amount that does not exceed the surcharge cap). Alternatively, you can pay this amount directly to the ATO yourself. If you choose to commute part of your pension, then your pension will be permanently reduced.

### Who can apply?

Current pensioners of SSS & PSS can apply to have any eligible post-exit assessment (as defined below) measured against the surcharge cap.

Former members of SASS, SSS and PSS who took a lump sum benefit can apply to have any eligible post-exit assessment (as defined below) measured against the surcharge cap.

On receiving an application, the post-exit assessments will be measured against the cap. If any part of the assessment exceeds the surcharge cap, this amount will be paid by the scheme.

## What is an eligible post-exit surcharge assessment?

An eligible post-exit assessment is one that meets the following criteria:

- it must be dated on or after 25 June 2004, and
- it must be attributable to surchargeable contributions made to the scheme, and
- it must have been issued for payment directly to you.

An assessment that is sent to you by the ATO is known as a *Surcharge on Paid Out Superannuation Contributions Notice*. On the front of this Notice it must indicate that the fund who reported the contributions was the SAS Trustee Corporation (STC). Applications will not be considered by the STC if another superannuation fund is named.

**Note:** Eligible post-exit assessments DO NOT include assessments that are issued to the rollover fund that your scheme benefit was rolled over to.

## Applying for a pension reduction

As well as applying to have any eligible post-exit assessment measured against the surcharge cap, anyone currently receiving a SSS or PSS pension can apply to reduce part of their pension to pay for that part of the assessment that is below the surcharge cap. The payment of the amount below the cap will result in a permanent reduction in the pension. However, it does not affect any future commutation rights that you may have.

Special surcharge commutation factors are used as the basis for determining the amount of the pension reduction. The appropriate factor to use is dependent upon your age, gender and the type of pension that you are receiving. The factor that is used to calculate the pension reduction is determined according to your age at the date that the pension reduction is processed. Examples of appropriate reductions follow.

Prior to the processing of any pension reduction the assessment will be measured against the surcharge cap and only that part of the assessment that is below the surcharge cap will be used as the basis for the pension reduction. The scheme will pay for that part of the assessment that exceeds the surcharge cap.

### Pension reduction example – SSS

Mr Thompson retired on a pension of \$1,000 per fortnight on 1 November 2018 at age 60. On 15 January 2019 he received a *Surcharge on Paid Out Superannuation Contributions Notice* from the ATO for \$2,500. At the time that he commenced his pension, he had a scheme surcharge debt of \$10,000 and a surcharge cap of \$11,000.

Mr Thompson makes an application to the scheme on 20 January 2019 to reduce his pension to pay his post-exit assessment. This is processed by the scheme on 1 February 2019.

Prior to the pension reduction taking place, his debt is first measured against his surcharge cap. It is found that he has exceeded the cap by \$1,500 as follows:

Surcharge cap on pension commencement .....	\$11,000
Surcharge debt at exit .....	\$10,000
(it did not exceed cap at this time)	
Eligible post exit assessment .....	\$2,500
Total surcharge payable .....	\$12,500
Amount of assessment in excess of surcharge cap	\$1,500
Amount of assessment not in excess .....	\$1,000

The amount in excess of the cap (\$1,500) will be paid to the ATO by the scheme. The remaining \$1,000 can be paid by way of pension reduction. Alternatively, Mr Thompson can pay this amount himself to the ATO.

The amount of pension reduction is calculated by taking the remaining debt of \$1,000 and dividing that by the surcharge commutation factor that is appropriate to Mr Thompson's age at the time of processing the application.

Age at time of application:	60 years and 92 days
Factor for this age in whole years:	409.20
Factor for this age in whole years + 1:	403.51
Factor at processing date:	$409.20 - (409.20 - 403.51) \times (92 \text{ days} / 365.25) = 407.77$
Pension reduction:	$\$1,000 / 407.77 = \$2.45$ each fortnight.

### How do I apply?

In order to apply, you are required to complete STC Form 233: *Application to fund my post-exit surcharge liability* form. In addition to this application, you will be required to provide the following:

- a certified copy\* of the *Surcharge on Paid Out Superannuation Contributions Notice* that was issued to you by the ATO, and
- if you have already paid the surcharge assessment a certified copy\* of the receipt from the ATO showing proof of payment, or
- if you have not already paid the surcharge assessment a certified copy\* of the *Superannuation Account Statement* that was issued to you by the ATO.

\*See STC Form 233 for details of how to certify a document and the persons eligible to certify.

### What happens after I apply?

**If you have not already paid your post-exit surcharge debt**, then that part of the debt that exceeds the 'cap' will be paid by the scheme directly to the ATO. If you choose to reduce your pension then the part of the debt that is below the 'cap' will be taken from your pension and also paid directly to the ATO.

If you choose not to apply for a pension reduction, you are still responsible for that part of the debt that is less than the 'cap'. We will notify you when we have made the 'cap' payment to the ATO.

**If you have already paid your post-exit surcharge debt**, then the scheme will reimburse any pension reduction or 'cap' excess payment directly to you. This payment is considered to be a superannuation lump sum and may be subject to tax.

### Issues to consider before applying

Due to the tax considerations involved, we suggest that you discuss your personal situation with your accountant or financial adviser prior to making an application.



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## More information

If you need more information, please contact us:

**Telephone:** **SASS** 1300 130 095 **SSS** 1300 130 096 **PSS** 1300 130 097 **Deferred Benefits** 1300 130 094  
8.30 am to 5.30 pm, Monday to Friday.

**Personal interviews:** Please phone to make an appointment.

**Postal address:** State Super, GPO Box 2181, Melbourne VIC 3001

**Internet:** [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au)

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