Additional contributions tax for higher-income earners

first state super

If you earn $250,000 or more, you may have to pay Division 293 tax.

What is Division 293 tax?

Division 293 tax was introduced from 1 July 2012 as a way of limiting the tax benefit that concessional contributions provide to very high-income earners. From 1 July 2017, the high-income threshold was lowered to $250,000.

Who does Division 293 tax apply to?

If your income plus any concessional (before-tax) contributions you have made or received during the financial year exceed $250,000, you will be liable for **Division 293 tax** of 15% on the amount of concessional contributions above the $250,000 threshold.

Also, if your income *excluding* your concessional contributions is less than the $250,000 threshold, but the inclusion of your concessional contributions pushes you over the threshold, then Division 293 tax will only apply to the concessional contributions that exceed the threshold.

The ATO administers Division 293 tax and is the main point of contact for enquiries. You can contact the ATO on **1300 651 221** or visit **www.ato.gov.au**.

What is income?

For the purpose of Division 293, 'income' includes:

- taxable income (assessable income minus allowable deductions)
- total reportable fringe benefit amounts
- net financial investment loss
- net rental property loss
- net amount on which family trust distribution tax has been paid.

What are concessional contributions?

Concessional contributions include:

- employer contributed amounts to an accumulation fund
- salary sacrifice contributions to super
- notional employer contributions, for a defined benefit fund.

One-off events can activate Division 293 tax

Even though your income may not *normally* exceed the $250,000 threshold, you may receive additional income one year from a one-off eligible termination payment or capital gain, or you might salary sacrifice some of your income to super.

How does Division 293 tax work?

Mark earns $245,000 as taxable salary for the 2017-18 financial year. On top of that, he receives concessional contributions of $23,000 to his super fund. This is how Division 293 tax affects Mark:

1. Income	$245,000
2. Concessional contributions	$23,000
3. Tax on contributions ($23,000 x 15%)	$3,450
4. Income plus concessional contributions (1 plus 2)	$268,000
5. Concessional contributions above $250K threshold	$18,000
6. Division 293 tax ($18,000 X 15%)	$2,700

Mark pays 'normal' contributions tax of $3,450 on the concessional contributions, then additional Division 293 tax of $2,700 because his income plus concessional contributions is above the $250,000 threshold.

Assessments and payments

Super funds report contribution information annually to the ATO. The ATO uses this information to determine whether any Division 293 tax liability is payable on concessional contributions above the $250,000 threshold.

If you are required to pay Division 293 tax, the ATO will provide you with an assessment after the end of the financial year. You can pay the tax:

- out of your own pocket; or
- by using a Release Authority, which the ATO will include with the assessment, to instruct your super fund to deduct the money from your super account.

You can take the Release Authority to any super fund you belong to that can release the money. You should check before presenting the authority because some funds are not able to comply with the request. First State Super can accept your request.

Any Division 293 tax liability should be paid to the ATO by the due date to avoid paying interest.

Division 293 tax for defined benefit funds

If you are a member of a defined benefit fund, the ATO will defer payment until a benefit is paid from the fund. Any deferred debts that are not paid by 30 June each year will attract end of year interest, although you can voluntarily pay any deferred Division 293 tax by 30 June each year to avoid paying end of year interest.

For more information, go to **www.ato.gov.au/individuals/super**

Like to talk to someone?

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