

# Division 293 tax fact sheet

**Division 293 tax reduces the tax concession high income earners receive on their superannuation contributions.**

**The Division 293 tax imposes an additional tax of 15% on individuals whose income and concessional tax contributions (referred to as 'low tax contributions') exceed \$250,000 a financial year.**

**The Australian Taxation Office (ATO) administers the Division 293 tax.**

## Who has to pay Division 293 tax?

You will receive a Division 293 tax assessment from the ATO if one of the following situations applies to you:

- If your income exceeds \$250,000, you will pay the 30% tax rate on all of your concessional contributions.
- If your income is less than \$250,000 but exceeds the \$250,000 threshold with your concessional contributions included, then you will pay the 30% tax rate on those low tax contributions above this limit.

This information is collected by the ATO from your income tax return and super contributions reported by your fund(s).

## How is income defined for Division 293 tax?

Generally, income for Division 293 tax purposes is based on your income for Medicare levy surcharge purposes and includes:

- taxable income (assessable income less deductions)
- total reportable fringe benefits
- net financial investment loss
- net rental property loss
- amounts on which family trust distribution tax has been paid
- any assessable First Home Super Saver Scheme (FHSSS) released amounts.

These amounts are added up (except the super lump sum and assessable FHSSS released amount, which are subtracted) to give the income amount.

Income excludes the taxed element of lump sum super benefits (other than a Death benefit) with a zero-tax rate. That is, 0% tax applies up to the low cap rate amount – currently \$235,000 (relevant if you have reached your preservation age but have not turned 60 yet).

This information is collected by the ATO from your income tax return.

## What are low tax contributions?

Low tax contributions are generally the total of:

- all concessional (pre-tax) contributions, including contributions made by your employer, salary sacrifice contributions and any personal contributions for which you have claimed a tax deduction;

### plus

- notional taxed contributions (NTCs) for defined benefit members, which are calculated as prescribed by law<sup>1</sup>;

### minus

- any excess concessional contributions (i.e. those which exceed the relevant concessional contributions limit).

In rare cases, some other amounts may be taken into account. You can find out more about concessional contributions and limits at [equipsuper.com.au](http://equipsuper.com.au) or by calling Helpline on 1800 682 626.

<sup>1</sup>The full amount of NTCs will be counted for the purpose of assessing whether a defined benefit member is liable for the Division 293 tax. For some defined benefit members, NTCs are capped at the concessional contributions limit (where special grandfathering transitional rules apply).

## How the ATO calculates the Division 293 tax

| Step | Method  | Example  |
|------|---|--|
| 1    | Determine your income from your income tax return   | \$240,000  |
| 2    | Determine your concessional contributions   | \$20,000   |
| 3    | Add together your income and your concessional contributions (steps 1+2)  | \$260,000  |
| 4    | If the combined figure is greater than \$250,000, you will have Division 293 taxable contributions  |  |
|      | These are the lesser of:  | <b>Lesser of 2 and 3</b>   |
|      | <ul style="list-style-type: none"> <li>• The concessional contributions; or</li> <li>• The amount at step 3 which is above the \$250,000 threshold</li> </ul> | <ul style="list-style-type: none"> <li>• \$20,000; or</li> <li>• \$10,000 (\$260,000 – \$250,000)</li> </ul> |
|      | Taxable amount  | \$10,000   |
| 5    | Extra tax of 15% is applied to these taxable contributions  | \$1,500  |

## What you have to do

If you receive an assessment for Division 293 tax, there are specific timeframes and requirements. You should receive details of your payment options in your assessment, as summarised below.

### Accumulation members

If your tax assessment relates to your accumulation super, you have two main options:

1. If you have a Division 293 tax liability, you have the option to pay by releasing money from super. To do this you must make a request for the Commissioner of Taxation to release the money for you. To make your request you must use an election form. To complete an election form online you need to have a myGov account linked to the ATO. Otherwise you will need to complete an election form and send it to the ATO. See [www.ato.gov.au](http://www.ato.gov.au) for more information.
2. Pay the tax directly to the ATO using your own money. If you pay the tax yourself, you can still send the release authority to your super fund and ask it to release the amount directly to you (provided you have sufficient amounts in your accumulation account).

### Defined benefit members

If you have defined benefit and accumulation super, the ATO should split your Division 293 tax assessment into a defined benefit component and an accumulation super component. Different options apply to each component.

For the accumulation super component, you have the two options described above.

For the defined benefit component, payment of the tax will generally be deferred until your defined benefit becomes payable from your super fund. The tax amount is allocated to a debt account maintained by the ATO, to which interest is added annually. The ATO will issue you with a Statement of Account whenever the debt account balance changes. Although payment of the tax is deferred, you can elect to pay all or part of the amount at any time from your accumulation account or non-super money.

When your super fund becomes aware that you are claiming your defined benefit, it will advise the ATO. The ATO will then calculate any debt account discharge liability and issue a Division 293 tax assessment to you for payment within a specified time frame. Individuals who have a tax debt account are required to notify the ATO when a benefit is paid in relation to their defined benefit membership.

### More information

Call the ATO on **13 10 20** or visit [www.ato.gov.au](http://www.ato.gov.au) for more information. Alternatively, you can consult a financial planner or your tax accountant.

Contact our Helpline **1800 682 626** | Visit our website [equisuper.com.au](http://equisuper.com.au) | Mail: **Equip Super, GPO Box 4303, Melbourne VIC 3001**

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