

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June 2010

Question: **BET 403**

Topic: **Superannuation Contributions (ATO)**

Hansard Page: **Written**

Senator EGGLESTON asked:

1. How many people have been impacted by tax penalties of 93% that apply to superannuation contributions in excess of government limits? Please list all classes of tax penalties being applied?

Answer:

The tax on excess superannuation contributions is not a penalty. It is the higher rate of primary tax that applies to contributions that exceed the superannuation contribution caps. The superannuation contribution caps are intended to ensure that the amount of concessional tax superannuation benefits that a person receives results from superannuation contributions that have been made gradually over the course of the person's life.

As at 30 June 2010, 48 individuals (in total across both 2007-08 and 2008-09) have been issued an excess superannuation contributions tax assessment for exceeding both the concessional and non-concessional contributions caps, effectively taxing a portion of their excess contributions at 93 per cent.

The rates of tax applied to excess superannuation contributions are as follows:

- 31.5 per cent applied to excess concessional contributions (this gives a final effective rate of tax of 46.5 per cent, when the 15 per cent rate of tax paid by a fund is included),
- 46.5 per cent applied to excess non-concessional superannuation contributions (this gives a final effective rate of tax in the range 46.5 per cent to approximately 72 per cent, depending upon the average rate of income tax applied to the income used to make the contributions – funds do not pay tax on non-concessional contributions), and
- 93 per cent applied to those contributions that exceed both superannuation contributions caps (consisting of 15 per cent contributions tax from the fund, 31.5 per cent concessional excess superannuation contributions tax and 46.5 per cent non-concessional excess superannuation contributions tax).