

SUPER TAX SCENARIOS FOR HIGH INCOME EARNERS (DIVISION 293) FACT SHEET



WHO SHOULD READ THIS FACT SHEET?

The information in this fact sheet is for high income earners, particularly those on Total Fixed Remuneration salaries. It's designed to explore some of the complex tax scenarios for high income earners, including the Division 293 tax. This guide should not be used to calculate or determine your situation. In every instance, to find out what's best for your situation, we recommend you seek advice from a licensed professional financial or tax adviser.

SUPER TAX SCENARIOS

High-income earners on Total Fixed Remuneration salaries need to be aware that there are some complex scenarios with superannuation contributions.

Most people are aware that there are [caps](#) on the amount that can be contributed to super and that generally if you go over these caps, there can be additional tax. Most are also aware that for high-income earners, there can be [additional tax](#) known as [Division 293](#) tax. What is not as well-known is how this tax can impact annual tax assessments.

Not every situation is the same so let's have a look at some possible scenarios.

Scenario 1 – Defined Contribution members

In this scenario, a member has a Total Fixed Remuneration (TFR) of \$500,000, and assuming the super contribution is paid on the [maximum super contribution base](#), the super contribution from the employer would be \$21,003 for the year.

Being a TFR arrangement, the super contribution amount would be deducted from the TFR of \$500,000, so the remaining salary would be \$478,997.

This level of income would mean the member is most likely going to be liable to pay Division 293 tax. If this is the case, the member will receive a notice from the Australian Taxation Office (ATO) to advise them of this. The member can pay this by using their own funds or, as the member has a defined contribution account, the additional tax can be withdrawn from the super account if the member makes an [election to release money from super](#).

Scenario 2 – Defined Benefit members

In this scenario, the member has a [defined benefit](#) (DB) account with Energy Super and is making the required member contribution pre-tax at 5.88%.

For a DB member with a Total Fixed Remuneration (TFR) of \$500,000, we are assuming they will have a superannuable salary of \$454,545 (refer to payroll for further information on how this is calculated) and a reportable super contribution amount, Notional Tax Contribution (NTC), of \$59,999.94.

The NTC is reported to the ATO and used to work out the concessional contribution amount including any excess. As the contributed amount is above the concessional cap, this would normally be regarded as exceeding the cap. However, as long as a) it was made up of just NTC, b) the member only contributed to their defined benefit account, and c) the member made no additional contributions to a defined contribution account, the ATO will normally assess this as meeting the concessional cap of \$25,000 and no excess concessional contributions taxes are charged.

It's important to note, however, the full amount of \$59,999.94 will be used to calculate if the member is liable to pay Division 293 tax. What this means is that the member will likely receive notification from the ATO of additional tax owing due to Division 293 tax, and the member usually has the option to include it as part of the tax return, which may result in a tax bill, or have the [Div 293 deferred](#), which would open a debt account with the ATO.

In addition to the first scenario, if the member also had a defined contribution account and had funds available in this account, the Div 293 amounts owing to the ATO may be able to be withdrawn from this account by making an [election to release money from super](#).

WHAT NEXT?

As you can see, super and the associated tax rules can be complex, however, help is available. To ensure you understand what is best for your situation, we recommend you seek advice from a licensed financial adviser or tax accountant.

We're here to help - Call **1300 436 374**

Email info@energysuper.com.au or visit energysuper.com.au

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