



“The Bottom Line” SIMMONDS LE-FEVRE

Tax & Super Information that's Important to You

July 2024



Division 293 tax Will you be caught?

If you're a high income earner, you may soon be asked to pay an extra 15% tax on the amount of concessional contributions that exceed the \$250,000 threshold.

About this newsletter

Welcome to your tax and super update from Simmonds Le-Fevre. This newsletter is aimed at keeping you on top of the issues you need to know about and changes as they happen. If you have any queries don't hesitate to contact us.

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What is Division 293 tax?

Division 293 tax is an additional 15% tax that is payable when your income and concessional contributions exceed \$250,000 in 2023/24.

To recap, concessional contributions are before-tax contributions and are generally taxed at 15% within your fund. This is the most common type of contribution individuals receive as it includes superannuation guarantee payments your employer makes into your fund on your behalf.

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Division 293 tax cont

Other types of concessional contributions include salary sacrifice contributions and tax-deductible personal contributions.

It's worth noting that the extra 15% Division 293 tax is payable in addition to the standard 15% tax that is paid on concessional contributions.

How does Division 293 tax work?

You will be liable for Division 293 tax on either your concessional contributions, or the amount of income that is over the \$250,000 threshold – whichever amount is lower.

Income for the purposes of Division 293 includes taxable income from a range of sources, such as:

- Employment and business income
- Reportable fringe benefits
- Investment income
- Net financial investment losses, such as negative gearing losses where deductions attributable to an investment property exceed rental income
- Income you may receive due to a one-off event, such as making a capital gain, receiving a work bonus, or a redundancy or termination payment.

Purpose of Division 293 tax

The purpose of this extra tax is reduce the tax benefits that high income earners receive from the superannuation system and to level the tax playing field for average income earners.

Even though high income earners may pay tax on their concessional contributions at 30%, this is still less than the top marginal tax rate of 47% (including Medicare levy) that generally applies to high income earners who are liable for Division 293 tax. As such, making and receiving concessional contributions are still tax effective.

Liability to pay Division 293 tax

The ATO will determine if you need to pay Division 293 tax based on information in your tax return and data they receive from your superannuation fund(s). As a result, there is usually a delay between when the contribution is made and when Division 293 tax is payable.

The ATO will issue you with a notice of assessment stating the amount of tax payable and provide an authority to enable your superannuation fund to release the money. You also have the choice to pay the tax personally. Note that the tax is due within 21 days of the assessment being issued to you, and certain timeframes also apply if you elect to pay the amount from your superannuation fund.

Need more information?

Contact us today if you think you might be liable to pay Division 293 tax and want more information about your options.

This information has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs.