Division 293 tax

Additional tax on concessional contributions

June 2024

Concessional super contributions are taxed at up to 15%. However, if you're a high-income earner, you may have to pay an additional 15% tax on these contributions. We explain how this tax is calculated, your payment options and whether making concessional super contributions is still worthwhile.

What is Division 293 tax?

Division 293 is a 15% tax which gets its name from the governing section of tax law. It is an additional tax that applies to certain 'concessional contributions' (CCs) when your income from certain sources exceeds a specified threshold. In 2024/25 and 2025/26, this income limit is set to $250,000.

What are concessional contributions?

CCs include:

- employer contributions, such as superannuation guarantee amounts
- pre-tax contributions you make from your salary or wage, known as salary sacrificed amounts, and
- personal contributions that you claim as a tax deduction.

A cap applies to the amount of CCs that you can make in a financial year which are also taxed at concessional rates. This cap is $27,500 in 2023/24 and $30,000 in 2024/25. You may have a higher cap if you are eligible to utilise unused carried forward CCs from the previous 5 financial years. You can find out more information about your CC cap and your CCs by logging into **my.gov.au**.

What contributions attract Division 293 tax?

If your income exceeds the income threshold of $250,000, all or a portion of CCs within your CC cap (called low tax contributions) will attract Division 293 tax. Remember, while the general annual cap is $27,500 in 2023/24 and $30,000 2024/25, your actual CC cap might be higher if you are eligible to use any 'carried forward unused' CCs. If you've made CCs above your cap, Division 293 tax isn't payable on these excess amounts.

What is 'income' for the purpose of the $250,000 threshold?

Income for this purpose is defined as:

- taxable income[1]
- total reportable fringe benefits
- net financial investment losses
- net rental property losses
- net amount on which family trust distribution tax has been paid, and
- 'low tax contributions', which are CCs within your CC cap.

The definition of income is broad and so you may have to pay Division 293 tax where your income in a particular year increases because of a one-off event, such as receiving a redundancy or termination payment, or selling an asset and realising a large capital gain.

[1] If you've released an amount from super under the First Home Super Saver Scheme, these amounts are excluded.

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Calculating and paying Division 293 tax

The Australian Taxation Office (ATO) uses information included in your tax return, as well as your super fund's contribution reports, to calculate whether you're liable for the tax. Once the ATO has all this information, it sends an 'Additional tax on concessional contributions (Division 293) notice' to you if you are liable for Division 293 tax. If you lodged your income tax return through myGov, your notice of assessment is sent to your myGov inbox.

What payment options exist?

Division 293 tax can be paid:

- directly by you to the ATO[2], or
- by making an election to release the funds from super (you must make this election to release funds from super within 60 days of the date on your assessment, so it's important to keep an eye on your myGov account for your notice).

Different rules apply if you're a member of a defined benefit fund, where your payment may be deferred until you can access your benefits. See **ato.gov.au** for more information.

Are there any strategies to reduce Division 293 tax?

There are no significant planning opportunities to prevent or reduce the tax. This is because a broad definition of income applies when determining your liability. For example, even if you salary sacrifice larger amounts of your salary to superannuation, which reduces your taxable income, your concessional contributions within your cap are also assessed as income for this purpose.

When your financial planner recommends that you make concessional contributions, they will explain to you any Division 293 tax implications, based on your estimated income. You should speak to your financial planner and make sure you let them know if your circumstances change, for example:

- you intend to sell an investment and realise a capital gain
- you're going to receive a redundancy or termination payment, or
- you expect your income to fluctuate.

Are CCs still worthwhile if I have to pay extra tax?

Even though Division 293 tax effectively increases the tax on your CCs to a maximum of 30%, this doesn't mean that contributing to super isn't worthwhile. Tax up to 30% on your concessional contributions is still a lower tax rate than the current top marginal tax rate of 47% (including Medicare levy), which applies to taxable income above $180,000 in 2023/24, increasing to$190,000 in 2024/25. This means there is still a 17% tax saving when making CCs if you have to pay the full 15% Division 293 tax.

Next steps

To find out more about Division 293 tax and how it might apply to you, speak to your financial planner and registered tax agent. You can also visit **ato.gov.au** for more information.

[2] Payment can be made via BPAY, credit or debit card, over the phone, or by logging into your MyGov account.