FACTSHEET

# CONCESSIONAL CONTRIBUTIONS IN THE DEFINED BENEFIT SCHEME

## WHAT ARE CONCESSIONAL CONTRIBUTIONS?

Concessional contributions are contributions that are paid by your employer. These contributions are generally paid to meet certain obligations such as the Superannuation Guarantee, Notional Taxed Contributions or could be part of an Award. Salary Sacrifice contributions paid on your behalf by your employer and any personal contributions that are allowed as an income tax deduction are also classed as concessional contributions.

Once these contributions are received, they are taxed at 15% (except if your annual income exceeds $250,000, when you may pay 30% tax on some or all of your concessional contributions).

### What is the Concessional Contributions Cap?

Under current legislation there is a cap on the amount of concessional contributions that you and/or your employer can make in a financial year. Amounts in excess of the cap will also count towards the non-concessional cap.

The standard concessional cap is $27,500 per annum and applies to all members. If you have a total superannuation balance of less than $500,000, you can make 'carry-forward' concessional super contributions on a rolling five-year basis from 1 July 2018. Amounts carried forward that have not been used after five years will expire.

Contributions within the cap are taxed at 15%, except if your annual income exceeds $250,000, when some or all of your concessional contributions may be taxed at 30%.

Each year all superannuation providers report all concessional contributions received during the year to the Australian Taxation Office (ATO). Based on this information as well as information from your income tax return, the ATO will assess if your total concessional contributions are in excess of the cap amount and, if so, will issue you with a notification for the additional tax on the amount over the cap. You can pay this additional tax amount yourself or instruct your superannuation provider to deduct this from your account.

If you have concessional contributions being paid into another superannuation fund from a second job, these amounts will also contribute to your concessional cap as this is a total amount, not a per fund amount.

Your excess concessional contributions also count towards your non-concessional contributions cap.

Non-concessional contributions are any after-tax contributions to a superannuation fund. The current cap is $110,000 p.a. or $330,000 over a consecutive three-year period. It is not Active Super's responsibility to determine whether or not you have exceeded the cap. You should carefully monitor your concessional contributions to avoid exceeding the cap.

### How it works in the Defined Benefit Scheme

Special rules apply to work out the amount of concessional contributions in defined benefit funds. As members of the Defined Benefit Scheme do not receive Superannuation Guarantee contributions in the same way as Accumulation Scheme members, a Notional Taxed Contribution (NTC) is calculated and reported to the ATO for the purpose of assessing the concessional contributions for the financial year. The NTC will be added to any other concessional contributions that may have been made to the Other Contributions Account or any other superannuation account that you may hold.

### What is the NTC?

The NTC only applies to the part of your account that makes up your Defined Benefit. The NTC includes any amount you salary sacrifice to the Personal Account (PA) to purchase units and the amounts calculated for your Employer Benefit (EB) and Basic Benefit (BB). The NTC for the EB and BB are calculated at the beginning of the financial year based on your last recorded Annual Review Day salary as provided by your employer.

For members who have reached their Retirement Age, only the BB will make up the NTC. A pro-rata value will apply for the EB and PA in that year.

### Special arrangements for Defined Benefit Scheme members

Special rules apply to individuals who were members of the Defined Benefit Scheme as at 5 September 2006 or 12 May 2009. If your NTC in a financial year exceeds your concessional contributions cap and you satisfy the requirements explained here, the Scheme will treat your NTC as being equal to your concessional contribution cap. This is called the "grandfathering" of your NTC. So, if the NTC is calculated to be over the cap, this will be reported to the ATO as being at the cap level.

The grandfathered cap only applies to NTCs, which relate only to the defined portion of your benefit. It does not apply to other accumulation style employer contributions (including award and salary sacrificed contributions) made to this Scheme or another fund you might have.

The grandfathering arrangements may cease to apply in certain circumstances, for example if the Scheme makes changes to its benefit rules resulting in benefit improvements or other circumstances prescribed by law. The rules governing



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grandfathering provisions are complex, for further information, please contact Member Services on 1300 547 873.

While the NTC will not exceed the cap, any other concessional contributions outside the NTC may cause you to exceed the cap.

### How do you calculate your NTC?

Calculation of your NTC depends on your Retirement Age and is calculated as follows:

**If your Retirement Age is 60**

NTC = Salary x 6.0%* + salary sacrificed compulsory contributions to the Defined Benefit Scheme.

*6.0% = 4.8% (EB) + 1.2% (BB)

Once you have reached age 60, the rate drops to 1.2%. If you turn 60 or retire within the financial yea, an apportionment of the rate will take place.

**If your Retirement Age is 55**

For women who elected retirement age of 55 at entry in the Scheme, NTC = Salary x 6.0%**+ salary sacrificed compulsory contributions to the Defined Benefit Scheme.

**6.0% = 4.8% (EB) + 1.2% (BB)

Once you have reached age 55, the rate drops to 1.2%. If you turn 55 within the financial year, an apportionment of the rate will take place.

### Example

As an example of how to calculate the NTC, we will base this on a female member under age 50 with a Retirement Age of 60, on a salary of $125,000, and salary sacrificed defined contributions of $7,500 to the Defined Benefit Scheme. This does not include any concessional contributions outside the NTC.

**NTC = ($125,000 x 4.8%) + $7,500**

**= $13,500**

As the standard concessional cap is $27,500, the cap has not been exceeded. However, if the member were to have any additional employer contributions or salary sacrifice to this or another account, these amounts would be added to the NTC total and if greater than $14,000 would put them above the cap.

For example, if this member had also made salary sacrifice contributions of $20,000 in their Other Contributions account, the NTC would still be reported as $13,500 but $6,000 of the additional $20,000 would be in excess of the cap.

This excess could be used as a 'carried-forward' concessional contribution if the account balance is under $500,000 and the cap is not exceeded within the rolling five-years from 1 July 2018.

It is important to note that the examples shown here are calculated using fixed amounts. As a member of the Defined Benefit Scheme, changes to your salary during the financial year could have an effect on your PA and therefore your NTC.

Important note: The NTC rates shown in the examples above are effective 1 July 2013. For more information on the NTC rates prior to this date, please call Member Services on 1300 1300 547 873.

## MORE INFORMATION

The information provided has been based on contributing full time members and calculations in the examples have been simplified. We recommend that you obtain financial advice to determine how the concessional contribution cap may affect your situation.

Please contact Member Services on 1300 547 873 between 8.30am and 5.00pm, Monday to Friday, if you have any questions or need more information.