

What are concessional contributions?

Concessional contributions are contributions that are usually paid by your employer as either part of their obligatory requirements, or they could be salary sacrifice contributions deducted from your pre-tax salary for the purpose of contributing to superannuation or personal superannuation contributions for which you claim a tax deduction.

The concessional contributions that apply to the Retirement Scheme include:

- > Your Notional Taxed Contributions (NTC)¹, which consists of one or more of the following:
 - Your defined Contributor Financed Benefit (CFB) contributions (1% to 9%), if you pay them on a salary sacrifice (pre-tax) basis
 - An estimate of the defined Employer Financed Benefit (EFB) contributions, made on your behalf by your employer
 - An estimate of your defined Basic Benefit (BB) contributions, made on your behalf by your employer.
- > Any top up contributions you pay to your Other Contributions (OC) account on a salary sacrifice basis
- > Any other contributions your employer makes to your OC account, such as award contributions
- > Any personal contributions for which you claim a tax deduction
- > Defined 180 Benefit Point contributions your employer pays to your OC account, if you are a member who has accrued 180 Benefit Points.

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 Amounts in excess of the cap which are not withdrawn from super following the receipt of an ATO assessment relating to excess concessional contributions will also count towards the non-concessional cap.

The concessional contributions cap is \$30,000 per annum for all members.

From 1 July 2018, if your total superannuation balance is less than \$500,000 and you have not used your full concessional contribution cap, you may be able to access your unused concessional contribution cap on a rolling five-year basis. Unused carry forward amounts will expire after five years.

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

Each year all superannuation providers report to the Australian Taxation Office (ATO) all concessional contributions received during the year. 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.

It is important to note that 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 which are not withdrawn from super following the receipt of an ATO assessment relating to excess concessional contributions also count towards your non-concessional contributions cap.

Non-concessional contributions are capped at \$120,000 (this amount is a multiple of four times the concessional contribution limit) per year. However, those under age 75 can bring forward two years' worth of contributions, giving them a cap of \$360,000 over three years. For example, if you were to contribute \$360,000 in the current financial year, for the next two financial years you would not be able to make non-concessional contributions without exceeding the cap. You should carefully monitor your concessional contributions to avoid exceeding the cap and transitional rules apply, depending on an individual's total superannuation balance as at 30 June of the previous financial year.

¹ For more information about the NTC, please refer to 'What is the NTC?' on the next page



How it works in the retirement scheme

Special rules apply to work out the amount of concessional contributions for members with a defined benefit interest.

Members of the Retirement Scheme do not receive Superannuation Guarantee (SG) contributions in the same way as Accumulation Scheme members, so an NTC is calculated and reported to the ATO for the purpose of assessing your concessional contributions for the financial year. The NTC will be added to any other concessional contributions that may have been made to your OC account or any other superannuation account 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 amounts you salary sacrifice to the Contributor Financed Benefit (CFB) to purchase Benefit Points and the notional amounts calculated for your Employer Financed Benefit (EFB) and Basic Benefit (BB). The NTC for the EFB and BB are calculated at the beginning of the financial year based on your salary at the previous 31 December, as provided by your employer.

If you are a member who has accrued less than 180 Benefit Points, your NTC consists of your salary sacrificed CFB contributions plus the defined EFB and BB contributions paid by your employer.

For members who have reached 180 Accrued Benefit Points, the NTC includes only the defined BB contributions paid by your employer. However, your salary sacrificed CFB contributions and the 180 Benefit Points contributions will still be reported to the ATO along with any other concessional contributions not included in the NTC.

Special arrangements for retirement scheme members

Special rules apply to individuals who were members of the Retirement Scheme as at 5 September 2006 or 12 May 2009. If your NTC in a financial year exceeds your concessional contributions cap and you meet the special conditions explained below, the Fund will treat your NTC as being equal to your concessional contributions 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 equal to the cap level.

The grandfathered cap only applies if you are yet to accrue 180 benefit points and to NTC that relate to the defined benefit portion of your benefit. It does not apply to other accumulation style employer contributions (including optional salary sacrificed or Award contributions) made to the Fund or another superannuation fund.

The grandfathering arrangements may cease to apply in certain circumstances, for example if you change your contribution rate band, due to a change in contribution rate, or the Fund makes changes to its benefit rules resulting in a benefit improvement or other circumstances prescribed by law. The rules governing grandfathering provisions are complex, so should you need further information please contact Member Services on 1300 300 820.

While the NTC for the BB (calculated at 1.2% of salary) is a set calculation based on your salary, the calculation of NTC in respect of the EFB is based on your salary and the amount that you contribute, i.e. the more you contribute, the higher the NTC for the EFB will be. As such there have been 'grandfathering' arrangements made so that members who have previously maintained a certain contribution rate will be exempt from exceeding the cap (only on the NTC) provided they do not exceed that rate. This means that providing you meet the grandfathering arrangements for the full financial year, your NTC for that financial year will only be reported up to the current concessional cap amount.

The contribution rate used to determine your maximum rate for maintaining the grandfathering arrangements is the higher of your contribution rates as at either 5 September 2006 or 12 May 2009. If at any point you have a contribution rate that is higher than your maximum rate band, you will not be covered by the grandfathering arrangements for that financial year and be subject to additional tax if your NTC goes above the concessional cap. However, if you change back to a rate at or below your maximum rate band, you will again be covered by the grandfathering arrangements.



Maximum contribution rate bands

As stated in the previous section, to qualify for the grandfathering arrangements, you need to remain at or below your maximum contribution rate which is determined by, the higher of your contribution rates, as at either 5 September 2006 or 12 May 2009.

However, depending on your maximum contribution rate band you may also be able to contribute at a higher rate within the same band without losing the grandfathering arrangements.

The NTC in respect of the EFB is calculated as a percentage of salary based on your contribution rate and class of membership. The rates are shown in the tables below.

Important note: The maximum contribution rate bands and NTC rates shown in the tables below came into effect on 1 July 2013. For more information on the contribution rate bands and NTC rates prior to this date, please call Member Services on 1300 300 820.

Member contribution rate bands	NTC % of salary standard members
Up to 3%	4.8
4%	4.8
5%	6.0
6% or more (max 9%)	7.2

Member contribution rate bands	NTC % of salary ex-SPSSF* members
Up to 2%	4.8
3%	4.8
4%	6.0
5%	7.2
6% or more (max 9%)	8.4

^{*} State Public Service Superannuation Fund

Member contribution rate bands	NTC % of salary ex-benefit fund** members
Up to (and including) 4.3%	4.8
Over 4.3% and up to 5.5%	6.0
Over 5.5%	7.2

^{**} NSW Retirement Fund

Member contribution rate bands	NTC % of salary ex-benefit fund members
Up to 3%	3.6
3.5%	4.8
4%	4.8
5%	6.0
6% or more (max 9%)	7.2

The NTC for the Basic Benefit is calculated as 1.2% of your superable salary based on days of service from 1 July to the end of the financial year.



How to calculate the NTC

As an example of how to calculate the NTC, we will base this on a standard member aged under 50, with a salary of \$125,000 and a contribution rate of 9% (all on salary sacrifice basis pre-tax). This is not catering for concessional contributions outside the NTC.

NTC for CFB (\$125,000 x 9.0%)	=	\$11,250
NTC for EFB (\$125,000 x 7.2%)	=	\$9,000
NTC for BB (\$125,000 x 1.2%)	=	\$1,500
Total NTC		\$21.750

As the standard concessional cap is \$30,000, 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 \$8,250 would put them above the cap.

To show how the grandfathering arrangements work, we will use the same scenario but change the salary to \$180,000.

Total NTC		\$31,320
NTC for BB (\$180,000 x 1.2%)	=	\$2,160
NTC for EFB (\$180,000 x 7.2%)	=	\$12,960
NTC for CFB (\$180,000 x 9.0%)	=	\$16,200

Assuming this member has met the grandfathering arrangements and that they have exceeded the cap by \$1,320, their NTC as reported to the ATO would be \$30,000. Any additional employer contributions or salary sacrifice contributions to this or another account would be classed as being in excess of the cap. For example, if this member also had contributions of \$5,000 into their Other Contributions Account, the NTC would still be reported as \$30,000 but the additional \$5,000 would be in excess of the cap.

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

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. Contact Member Services on **1300 300 820** between 8:30am and 5:00pm, Monday to Friday if you would like to make an appointment with a financial planner.

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