



Fact sheet:

# Super contributions, caps and Division C defined benefits

There are limits, known as contribution caps, on the amount that can be contributed to your super without incurring additional tax. These caps apply per person, regardless of how many super funds or accounts you contribute to or how many employers you have.

The following information helps explain how these caps work in relation to your defined benefit (DB) super. You may wish to use this information to review your level of employer and personal contributions. If your contributions exceed the applicable cap, you should be aware of any additional tax that may be payable.

**Warning:** It's your responsibility to ensure that you don't exceed the caps if you want to avoid paying extra tax. Based on information that all super funds must report each financial year, the Australian Taxation Office (ATO) determines if you've exceeded the contribution caps and advises you if any additional tax is payable.

## General advice warning about using or relying on this information

The information is general information only and doesn't take into account your individual objectives, financial situation or needs. You should consider the information and how appropriate it is to your own objectives, financial situation and needs, before making any decisions. You should seek professional financial advice tailored to your personal circumstances from an authorised financial adviser.

Taxation considerations are general and based on present taxation laws and may be subject to change. You should seek independent, professional tax advice before making any decision based on this information. The trustee is also not a registered tax (financial) adviser under the Tax Agent Services Act 2009. You should seek tax advice from a registered tax agent or a registered tax (financial) adviser if you intend to rely on this information to satisfy the liabilities or obligations or claim entitlements that arise, or could arise, under a taxation law.

## Concessional contributions

Concessional contributions generally include super contributions from an employer, as well as any salary sacrifice (pre-tax) contributions you may make to your super.

For DB super, your employer's super contribution is represented by a Notional Taxed Contribution (NTC). Read more on page 2 about your NTC, including how it is calculated.

## Concessional contributions cap

The following rules apply to concessional contributions:

- For 2021–22, a cap of \$27,500 (gross of tax) per financial year applies for concessional contributions, regardless of your age.
- Concessional contributions up to the cap are taxed at 15% if your income, as defined by the ATO for the purpose of this cap, is \$250,000 or less – these are known as low-tax contributions. If your income is more than \$250,000, an additional 15% tax (known as division 293 tax) may be payable. If your income exceeds this \$250,000 threshold only as a result of including your concessional contributions, the higher tax rate only applies to the portion of contributions exceeding the threshold.

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- You can receive or make concessional contributions above the cap but the amount of these excess contributions is included in your assessable income and taxed at your marginal tax rate plus Medicare and any other applicable levies, with a 15% offset entitlement for contributions tax already paid. An interest charge also applies. The additional tax is levied to you by the ATO. Excess concessional contributions also count towards your non-concessional contributions cap (page 4).
- If you exceed your concessional contributions cap, you may be able to choose to withdraw up to 85% of your excess contributions. You can't withdraw any compulsory contributions made to your DB division, but you can request to withdraw any voluntary excess contributions made to a separate accumulation-style account. Released contributions no longer count towards your non-concessional contributions cap.

### Carry forward unused concessional contributions cap amounts

You may be eligible to contribute more than the general concessional contributions cap by making use of any unused portion of your cap from previous years. To take advantage of carry-forward contributions, the following rules apply:

- The first year you are entitled to carry forward unused amounts is the 2019–20 financial year, by carrying forward any unused amount from 2018–19.
- You must have a total super balance<sup>1</sup> of less than \$500,000 on 30 June immediately before the year in which you intend to contribute.
- Unused amounts are available for a maximum of five years, after which they expire.

For example, your concessional contributions during 2019–20 and 2020–21 were \$15,000 per year. For these years, the concessional contributions cap was \$25,000, leaving an unused amount of \$10,000 for each year. During 2021–22 you could therefore make concessional contributions of up to \$47,500, which is the general \$27,500 cap for this year plus your total \$20,000 of unused amounts from the previous years.

### Using a Notional Taxed Contribution for employer contributions in DB super

For DB super, your employer doesn't contribute a percentage of your salary to your super on a regular basis. Instead, your benefits are determined using a formula that may take into account factors such as salary, length of employment or fund membership, or member contribution rate. The amount that your employer must contribute towards your DB super is based on an actuarial calculation and this must be at least equal to the minimum super guarantee (SG) requirements.

You do, however, need to know an annual 'amount' for employer contributions to help consider your position against the concessional contributions cap each year (page 1). For this purpose, a **Notional Taxed Contribution (NTC)** is calculated to represent your employer's super contributions in respect of your DB super.

The following NTC information is specific to DB super within Division C of our fund. If you receive or make contributions to another super account or fund, you need to consider the information below in conjunction with your other super arrangements.

### How your NTC is calculated

The formula for calculating an NTC is defined by super law, generally as  $[(\text{Super Salary} \times \text{NTC Rate}) - \text{Member Contributions}] \times 1.2$ , where for the financial year:

- Super Salary** is your annual super salary<sup>2</sup> on the first day of the financial year, expressed as a full-time equivalent amount. If you work part-time, read the following section outlining how your NTC is adjusted.
- NTC Rate** is the rate that applies for your membership division and benefit category in our fund, as set by the fund's actuary based on the current SG rate of 10% from 1 July 2021:

Division C benefit category description	NTC Rate
<b>Full members</b> who are:	
Contributing 0%, 1% or 2% of super salary	8%
Contributing 3% of super salary	9%
Contributing 4% of super salary	10%
Contributing 5% of super salary	11%
Contributing 6% of super salary	12%
Contributing 7% of super salary	13%
Contributing 8% of super salary	14%
Contributing 9% of super salary	15%
Contributing 10% of super salary	16%
<b>Basic members</b>	5%

If you change benefit categories during the financial year, your NTC calculation is pro-rated for the time spent in each category.

- Member Contributions** applies to Division C (Full) members only and is the amount of compulsory member contributions you make on an after-tax basis to your DB super during the financial year. If you have reached your maximum accrued benefit multiple, or if you're a Division C (Basic) member, this component is zero. It's important to keep in mind that your after-tax member contributions are deducted when calculating your NTC for the purposes of the concessional contributions cap. However, your after-tax contributions still count towards your non-concessional contributions cap (page 4).

1 Your total super balance is the sum of the following benefits: (i) all accruing interests in a DB fund, (ii) all accumulation super accounts, (iii) all retirement account-based pensions or transition to retirement income streams, (iv) all non-account based income streams included in your transfer balance cap, and (v) any benefits not included in previous categories because they're in transit between funds on the day of measurement. Your total super balance is generally calculated as at 30 June each year.

2 The calculation of 'super salary' is defined by the Group, as your employer, for the purpose of calculating your DB entitlements. This may not be the same as your cash salary – contact us for more about your super salary.

**Example 1 – Full member:** As at 1 July 2021, your super salary is \$75,000 and you make after-tax compulsory contributions of 5% of your super salary, totalling \$3,750. Your NTC for 2021–22 is  $[(\$75,000 \times 11\%) - \$3,750] \times 1.2 = \$5,400$ . This amount counts towards your concessional contributions cap for the year. However, if you've already reached your maximum accrued benefit multiple, you can no longer contribute so your contribution rate is 0%. In this case, your NTC is  $[(\$75,000 \times 8\%) - \$0] \times 1.2 = \$7,200$ .

**Example 2 – Basic member:** As at 1 July 2021, your super salary is \$40,000 and as a basic member, you cannot contribute. Your NTC for 2021–22 is  $[(\$40,000 \times 5\%) - \$0] \times 1.2 = \$2,400$ . This amount counts towards your concessional contributions cap for the year.

### If you're a part-time employee

Your NTC calculation is adjusted based on your average ratio of part-time to full-time employment during the financial year. Your NTC formula is  $[(\text{Annualised Super Salary} \times \text{NTC Rate} \times \text{PT ratio}) - \text{Member Contributions}] \times 1.2$ , where *NTC Rate* and *Member Contributions* are the same as the definitions above, and:

- **Annualised Super Salary** is your annualised super salary on the first day of the financial year
- **PT Ratio** is the average ratio of your part-time to full-time employment, e.g. if you work 2 days per week, your ratio would be 2 days ÷ 5 days = 0.4

**Example 3:** On average, you work 2 days per week with a super salary is \$20,000, annualised to \$50,000 and as a full member, you make after-tax compulsory contributions of 5%, totalling \$1,000. Your NTC for 2021–22 is  $[(\$50,000 \times 11\% \times 0.4) - \$1,000] \times 1.2 = \$1,440$ . This amount counts towards your concessional contributions cap for the year.

### Circumstances where your NTC may be zero

Under super laws, your NTC calculation is zero if you're no longer accruing DB super, either temporarily or permanently. This might be the case if:

- You've reached your maximum accrued benefit multiple and your DB super is higher than the minimum required under SG laws.
- You have a period of leave without pay and temporarily stop accruing benefits.
- You're over age 65 and your DB super is higher than the minimum required under SG laws.
- You leave employment with the Commonwealth Bank Group, including where you may be eligible to defer a benefit in your DB division, or you exercise choice of super fund.<sup>3</sup>
- You're receiving a pension from your DB division.

Where any of these apply for part of a financial year, an NTC still applies for the portion of the year in which you were accruing benefits.

### Circumstances where your NTC may be limited to the concessional contributions cap

In some cases, special arrangements may apply if your NTC exceeds the concessional contributions cap.

Your NTC is generally limited to the concessional contributions cap, and no additional tax is payable on the portion that would otherwise be excess contributions, if **all** of the following conditions apply to you and have done so since 12 May 2009:

- You haven't changed to an NTC benefit category (page 2) to result in an improved benefit level, such as changing to a higher contribution rate that also leads to a change in benefit category.
- The rules of the super fund haven't changed to result in an improved benefit level, unless to comply with SG rates.
- The method of calculating your super salary hasn't changed to result in a higher salary, unless to comply with law.
- Your super salary hasn't increased by more than 50% over any 12-month period or by more than 75% over any three-year period unless your employer advised us that such an increase was on an arm's length basis.
- No other event has occurred, as set out in the regulations, that has the effect of improving your benefit level.

For example, if you meet all of these conditions and your NTC for 2021–22 is calculated as \$30,000, your NTC is capped at \$27,500 and no excess contributions tax is payable on the additional \$2,500 of your NTC that exceeds the cap.

**Important:** Your NTC is still limited to the concessional contributions cap if a change in benefit categories in the future or since 12 May 2009 means a reduction in your benefit accrual. For example, changing your contribution rate from 6% to 4% reduces your benefit accrual, so the limited cap still applies to you. However, changing your contribution rate from 6% to 8% improves your benefit accrual, so your full NTC amount applies.

### Applying salary sacrifice contributions against the cap

If you make voluntary salary sacrifice contributions to your DB super (if eligible) or to another super account, you must add these contributions to your NTC, or the limited NTC if applicable above, to determine your total concessional contributions for the year.

**Example 4:** Using the details from example 1, your NTC for 2021–22 is \$5,400. If you also salary sacrifice \$15,000 to your super, your total concessional contributions for the year will be the sum of your NTC plus your salary sacrifice contributions, or  $\$5,400 + \$15,000 = \$19,400$ . This is the total amount that counts towards your concessional contributions cap.

<sup>3</sup> If you exercise choice of fund, the Group generally starts making regular super contributions to an accumulation super account for you. In this case, the value of those employer contributions also counts towards your concessional contributions cap.

# Non-concessional contributions

Non-concessional contributions include any after-tax contributions to your super, including any compulsory or voluntary contributions you make on an after-tax basis to your DB super (if available) and/or to another super account.

Non-concessional contributions also include contributions for which you are entitled to but do not claim a tax deduction. You're not eligible to claim a deduction for any after-tax contributions to your DB super, but if you also contribute to an accumulation super account, these contributions may be eligible.

## Non-concessional contributions cap

The following rules apply to non-concessional contributions. Remember that any excess concessional contributions (page 1) also count towards your non-concessional contributions cap.

- The non-concessional contributions cap that applies to you for 2021–22 depends on your total super balance<sup>1</sup> as at 30 June 2021:
  - If your total super balance<sup>1</sup> was less than \$1.7 million, a cap of \$110,000 per financial year applies to your non-concessional contributions, including any excess concessional contributions. No tax applies to contributions up to this cap.
  - If your total super balance<sup>1</sup> was \$1.7 million or more, your non-concessional contributions cap is zero for the financial year – any non-concessional contributions you make for the year, including compulsory contributions to your DB division and any excess concessional contributions, count as excess non-concessional contributions.
- You can make non-concessional contributions above the cap but the amount of these excess contributions is taxed at the top marginal tax rate plus Medicare and other applicable levies.
- If your contributions exceed the non-concessional contributions cap, instead of incurring the top marginal tax rate, you may be able to choose to withdraw the excess contributions. In this case, an associated earnings amount is calculated to approximate the amount earned from your excess contributions in the super fund and this earnings amount is included in your assessable income. **Important:** You **cannot** withdraw any compulsory contributions made to your DB division.

Note: If you withdrew super under the COVID-19 early release scheme, from the 2021–22 financial year you have the option to re-contribute these amounts as non-concessional contributions, over and above the existing non-concessional contribution cap.

## Bring forward non-concessional cap amounts

If you're under age 67, you may be eligible to bring forward contributions from future years in order to contribute up to three times the non-concessional contributions cap during a single year or within the bring-forward period.

The amount you can bring forward and the length of the bring-forward period depends on your total super balance<sup>1</sup> determined at 30 June immediately before the financial year in which you made the contribution that triggers your bring-forward period.

Prior to 1 July 2021, the non-concessional contributions cap was \$100,000, therefore your bring-forward cap may be different if you've already triggered your bring-forward period before this date.

Any additional contributions you make above the higher cap within the bring-forward period are counted as excess non-concessional contributions.

**Warning!** The use of the bring-forward rules may have tax implications for your compulsory DB contributions in future years – contact us on 1800 135 970 for more on these rules if needed.

Note: The maximum age at which you can make voluntary super contributions without needing to satisfy a work test increased from age 65 to age 67 from 1 July 2020. A new law was recently enacted to also increase the maximum age at which you can trigger the bring-forward rule from age 64 to age 66. This law applies retrospectively to contributions made on or after 1 July 2020.

## Applying after-tax contributions against the cap

If you make any after-tax contributions, including compulsory contributions to your DB super or voluntary contributions to your DB super, and/or to another super account, these contributions count towards your total non-concessional contributions for the year.

**Example 5:** Your super salary is \$75,000 and you make after-tax compulsory contributions of 9% of your super salary, totalling \$6,750. This amount counts towards your non-concessional contributions cap for the year.

## How to change your contribution arrangements

**Warning!** Before making any changes, it's important that you read and understand this information with regard to your own individual objectives, financial situation and needs. You should seek professional financial advice tailored to your personal circumstances from an authorised financial adviser and/or tax advice from a registered tax agent or a registered tax (financial) adviser.

If you decide to change your contribution arrangements, you can choose any one or more of the following options:

- You can select a compulsory contribution rate between 5% and 10% for Division C. To change your contribution rate, complete our ***Change of contribution rate*** form available from [oursuperfund.com.au/forms](https://oursuperfund.com.au/forms).
- If you want to make voluntary salary sacrifice or after-tax contributions to an Accumulate Plus account in our fund:
  - To begin or change salary sacrifice arrangements, log into SideKick and navigate to Pay & Benefits > View my benefits > Change Benefits, and complete the online form.
  - To begin or change voluntary after-tax contribution arrangements via payroll deduction, log into SideKick and navigate to Pay & Benefits > View my benefits > Change Benefits, and complete the online form. Alternatively, you can make after-tax contributions direct to Accumulate Plus account via BPAY® or direct credit – read the ***Reference Guide: Contributing to your super*** for Accumulate Plus from [oursuperfund.com.au/pds](https://oursuperfund.com.au/pds) for more information.

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