

## Fact sheet

In May 2009, the government announced changes to the rules about superannuation contribution limits. Using the following information, you may wish to review your level of contributions to determine if they exceed the applicable caps and, if so, be aware of any additional tax that may be payable.

The information in this fact sheet applies only to defined benefit members of the fund and only to contributions made within the fund. If you receive employer contributions or make salary sacrifice contributions to another fund, you will need to consider the information in this fact sheet in conjunction with your other arrangements.

You may consider seeking professional financial advice to determine how the concessional contributions cap affects your superannuation arrangements.

## What are the contribution caps?

### Concessional contributions cap

Concessional contributions generally include your employer's superannuation contributions and any salary sacrifice (ie. pre-tax) contributions you may make to your super. Concessional contributions were previously known as taxed or deductible contributions.

The following rules apply to concessional contributions:

- A cap of \$25,000<sup>1</sup> applies per person per financial year.
- For the next two financial years, 2012-13 and 2013-14, a transitional cap will not apply – a cap of \$25,000 per year will apply for all individuals. (Note: The government's proposal to allow a higher contribution cap for individuals aged 50 or over who have total superannuation balances below \$500,000 has been deferred until 1 July 2014.)
- Concessional contributions up to the cap are treated as taxable at the rate of 15%.
- You can make contributions above the cap but these excess concessional contributions will incur an additional 31.5% tax (effectively being taxed at the top marginal tax rate of 46.5% including medicare levy). Excess concessional contributions also count towards the non-concessional contribution cap (see following section).

As a member of a defined benefit division, your concessional contributions include a Notional Taxable Contribution (which represents your employer's superannuation contributions for the purposes of the contribution cap) and an actual amount for any voluntary salary sacrifice contributions. Refer to the following sections for more information.

### Non-concessional contributions cap

Non-concessional contributions are contributions you make to your super from your post-tax salary. These contributions were previously known as personal, untaxed or undeducted contributions.

The following rules apply to non-concessional contributions:

- A cap of \$150,000<sup>2</sup> per person per financial year. No tax applies to contributions up to this cap.
- If you are under age 65, you can bring forward two years of non-concessional contributions and make a larger contribution of up to \$450,000 but you will be unable to make any further non-concessional contributions for the next two years.
- If you make contributions above the \$150,000 cap (or \$450,000 cap if applicable), these excess non-concessional contributions will be taxed at the highest marginal tax rate. However, we will not accept contributions if we are aware that they will exceed your non-concessional contributions cap.

Remember, any excess concessional contributions (see previous section) also count towards this non-concessional contributions cap.

### If you exceed the caps

The caps apply per person, regardless of how many employers you have or how many super funds you contribute to. Based on information provided at the end of the financial year by Commonwealth Bank Group Super (and any other funds you have), the Australian Taxation Office (ATO) will determine if you have exceeded the contributions cap and advise you if any additional tax is payable.

<sup>1</sup> The \$25,000 concessional contributions cap is indexed but indexation only occurs once an increase reaches \$5,000 (and \$5,000 increments thereafter).

<sup>2</sup> The non-concessional contributions cap will be calculated as six times the concessional contributions cap. Therefore the non-concessional contributions cap will increase along with indexation in the concessional contributions cap.

## What is the Notional Taxable Contribution?

The Notional Taxable Contribution (NTC) is the amount that represents your employer's super contributions in respect of your defined benefit super interests for the purposes of the concessional contributions cap outlined in the previous section.

The formula for calculating the NTC is defined under government legislation. Simply, it is 1.2 times your superannuation salary multiplied by a notional taxable contribution rate, which depends on your membership division and the rate at which you contribute to your division.

## How do I calculate my Notional Taxable Contribution?

The formula to calculate your NTC is **[(Super Salary x NTC Rate) – Member Contributions] x 1.2**, where for the financial year:

- Super Salary is your annual superannuation salary (expressed as a full-time equivalent amount) on the first day of the financial year
- NTC Rate is the rate for your benefit category (as determined by the fund's actuary)

Division CN benefit category description	NTC Rate
Member who has elected to contribute 2% of Super Salary	5%
Member who has elected to contribute 3% of Super Salary	6%
Member who has elected to contribute 4% or 5% of Super Salary	7%
Member who has elected to contribute 6% of Super Salary	9%

- Member Contributions is the amount of compulsory<sup>3</sup> member contributions (if any) that you make on a post-tax basis to your account during the financial year. If you make compulsory member contributions from your pre-tax salary (ie. by salary sacrifice), the Member Contributions component of your NTC calculation is zero.

If you change benefit categories (shown in the table above) during the financial year, you will need to pro-rate your NTC calculation for the time spent in each category. Please contact us if you need more information.

Note: Your post-tax member contributions are deducted in the NTC calculation above for the purposes of the concessional contributions cap. However, they will count towards the non-concessional cap.

### Example if you make compulsory contributions from your post-tax salary

1. If you have a Super Salary of \$50,000 and you make 5% compulsory contributions on a post-tax basis (ie. \$2,500 over the financial year), your NTC will be:
 
$$= [(\$50,000 \times 7\%) - \$2,500] \times 1.2$$

$$= \$1,200$$

### Example if you make compulsory contributions from your pre-tax salary (ie. by salary sacrifice)

2. If you have a Super Salary of \$50,000 and you make 5% compulsory contributions on a pre-tax basis (ie. \$2,500 over the financial year), your NTC will be:
 
$$= [(\$50,000 \times 7\%) - \$0] \times 1.2$$

$$= \$4,200$$

## If you are 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 if you are a part-time employee is **[(Annualised Super Salary x NTC Rate x PT ratio) – Member Contributions] x 1.2**, where for the financial year:

- Super Salary is your annualised super salary on the first day of the financial year
- NTC Rate is the rate for your benefit category (shown in the table on this page)
- PT Ratio is the average ratio of your part-time to full-time employment (eg. 2 days per week =  $2 \div 5 = 0.4$ )
- Member Contributions is the amount of compulsory member contributions (if any) that you make on a post-tax basis to your account during the financial year. If your compulsory member contributions are paid from your pre-tax salary (ie. by salary sacrifice), your Member Contributions component of the NTC calculation is zero.

For example, if you have a Super Salary of \$20,000 (annualised to \$50,000), make 5% compulsory contributions on a post-tax basis (ie. \$1,000 over the financial year) and on average over the year you worked 2 days per week, your NTC will be:

$$= [(\$50,000 \times 7\% \times 0.4) - \$1,000] \times 1.2$$

$$= \$480$$

Note: Your post-tax member contributions are deducted in the NTC calculation above for the purposes of the concessional contributions cap. However, they will count towards the non-concessional cap.

<sup>3</sup> In this fact sheet, 'compulsory contributions' refers to the case where you must make contributions to Division CN even if you can choose the rate of those contributions.

### When your NTC may be zero

If you are no longer accruing defined benefits, your NTC calculation will be zero under the regulations. This might be the case if:

- You are on leave without pay and temporarily stop accruing benefits.
- You have reached your maximum benefit multiple and your super benefit is higher than the minimum required under super guarantee legislation.
- You are over age 60 and your super benefit is higher than the minimum required under super guarantee legislation.
- You leave employment or exercise choice of super fund.

If one of these applies to you for some but not all of the financial year, an NTC will still apply for the portion of the year in which you were accruing defined benefits. Please contact us if you need more information.

### When 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 will be limited to the concessional contributions cap (refer to page 1) and no additional tax will be payable if, since the relevant date<sup>4</sup>, all of the following conditions apply to you:

- You have not changed to a benefit category (as shown in the table on page 2) that results in an improved benefit level (eg. a higher contribution rate), **and**
- The rules of the super fund have not changed to result in an improved benefit level, **and**
- The method of calculating your super salary has not changed to result in a higher salary (unless to comply with legislation), **and**
- Your super salary has not increased by 50% over a 12-month period or 75% over a three-year period unless your employer advised the trustee that such increases are on an arm's length basis, **and**
- 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 2012-13 is calculated as \$60,000, your NTC for the financial year will be capped at \$25,000 and no additional tax will be payable even though the formula calculation exceeds the cap by \$35,000.

### Important note

Your NTC will still be limited to the concessional contributions cap if you change benefit categories and this change means a reduction in your benefit accrual. For example, if you change your contribution rate (or have changed since the relevant date<sup>4</sup>) from 4% to 2% (which reduces your benefit accrual), the limited cap would still apply to you.

If, however, you change your contribution rate from 4% to 6% (which improves your benefit accrual), the limited cap would no longer apply. In this case, you should use the formula shown on page 2 to calculate your NTC for the financial year.

### What if I make voluntary salary sacrifice contributions?

If you make voluntary salary sacrifice contributions to any division of the fund, these contributions are added to your NTC (or capped amount if the previous section applies) in order to determine the total amount of your concessional contributions.

#### Example if you make compulsory contributions from your post-tax salary and voluntarily salary sacrifice

3. If you have a Super Salary of \$50,000 and you make 5% compulsory contributions on a post-tax basis (ie. \$2,500 over the financial year), your NTC will be:

$$\begin{aligned} &= [(\$50,000 \times 7\%) - \$2,500] \times 1.2 \\ &= \$1,200 \end{aligned}$$

If you also voluntarily salary sacrifice \$20,000, your total concessional contributions for the financial year will be:

$$\begin{aligned} &= \$1,200 + \$20,000 \\ &= \$21,200 \end{aligned}$$

#### Example if you make compulsory contributions from your pre-tax salary and voluntarily salary sacrifice

4. If you have a Super Salary of \$50,000 and you make 5% compulsory contributions on a pre-tax basis (ie. \$2,500 over the financial year), your NTC will be:

$$\begin{aligned} &= [(\$50,000 \times 7\%) - \$0] \times 1.2 \\ &= \$4,200 \end{aligned}$$

If you also voluntarily salary sacrifice \$20,000, your total concessional contributions for the financial year will be:

$$\begin{aligned} &= \$4,200 + \$20,000 \\ &= \$24,200 \end{aligned}$$

<sup>4</sup> The relevant date is 6 September 2006 for the 2008-09 financial year and 12 May 2009 for financial years from 2009-10 onwards.

## If you want to change your contribution rate or voluntary salary sacrifice arrangements

If, after reading this fact sheet and considering the information with regards to your own financial situation, you decide to change your contribution arrangements, you can do the following:

- To change the percentage rate at which you contribute to your defined benefit (if applicable in your division), please complete a *Change of Contribution Rate* form, available under our website [oursuperfund.com.au](http://oursuperfund.com.au) or by calling us
- To change your voluntary salary sacrifice arrangements, please visit the HR Intranet.

### Commonwealth Bank Group Super

#### Internet

Visit us at [oursuperfund.com.au](http://oursuperfund.com.au)

#### Intranet

HR Intranet > Employee Benefits > Commonwealth Bank Group Super (under 'Useful links') (employees only)

#### Email

[oursuperfund@cba.com.au](mailto:oursuperfund@cba.com.au)

#### Phone

Call us on 1800 023 928 between 8.30am and 5.00pm (Sydney time) Monday to Friday

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