



POLICE SUPERANNUATION SCHEME (PSS)

16. PSS Concessional Contributions Cap

This Fact Sheet provides information for members of the Police Superannuation Scheme (PSS) about the Commonwealth Government's Concessional Contributions Cap which came into effect from 1 July 2007.

It is recommended you also read the PSS Salary Sacrifice Flyer which explains how salary sacrifice works in PSS from 1 January 2008.

You should consider obtaining financial advice to determine how the Concessional Contributions Cap affects your superannuation arrangements.

This Fact Sheet applies only to members of PSS. Members of SASS or SSS should refer to their specific Fact Sheet on the Concessional Contributions Cap available on the website or through Customer Service.

The following information is for members who are full-time employees. Different conditions apply to part-time employees and members on leave without pay. These members should contact Customer Service for further details.

WHAT IS THE CONCESSIONAL CONTRIBUTIONS CAP?

It is the annual limit on the total amount of concessional contributions that can be made into superannuation funds for an individual that are treated on a concessional tax basis. Concessional contributions used to be known as deductible contributions and include all employer contributions and salary sacrifice contributions.

It is your age at 30 June each financial year that determines which cap applies. For the financial year ending 30 June 2008, the cap is:

- \$50,000 for members aged less than 50 at 30 June 2008
- \$100,000 for members aged 50 or more at 30 June 2008.

Importantly, if PSS is the only superannuation fund of yours receiving concessional contributions, you do not exceed the cap and the Concessional Contributions Cap does not affect you.

However there are special conditions applying to defined benefit funds such as PSS. Under the Commonwealth Government's superannuation Regulations for calculating concessional contributions, a member whose concessional contributions in PSS exceed their respective cap is deemed to be within their cap.

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The Police Superannuation Scheme (PSS) is administered by Pillar Administration on behalf of the Trustee, SAS Trustee Corporation (STC). PSS is governed by the *Police Regulation (Superannuation) Act 1906*, the *State Authorities Non-contributory Superannuation Act 1987* and the *Superannuation Administration Act 1996*. The Scheme is also subject to Commonwealth superannuation and tax legislation. The benefits described in this Fact Sheet apply to current contributors and different rules may apply to benefits which arose in earlier years or injuries sustained in earlier years.

Reasonable care has been taken in producing the information in this Fact Sheet and nothing in it is to be regarded as personal advice. If there is any inconsistency between the information in this Fact Sheet and the relevant Scheme legislation, the Scheme legislation will prevail. In preparing this Fact Sheet, STC has not taken into account your objectives, financial situation or needs and, because of this, you should consider your personal circumstances and possibly seek professional advice, before making any decision that affects your future.

To the extent permitted by law, STC, its directors and employees do not warrant the accuracy, reliability or completeness of the information contained in or omitted from this Fact Sheet.

For example, a member under age 50 on a high salary could theoretically exceed the concessional contribution cap of \$50,000 in PSS, but their concessional contributions would be deemed to be equal to the cap. In that event, PSS would report that member's PSS concessional contributions to the Australian Taxation Office (ATO) as \$50,000.

Despite the special conditions applying to PSS, a member is still able to exceed the cap if additional employer contributions (including salary sacrifice contributions) are made to another fund on their behalf. If this occurs, the amount in excess of the cap will be taxed at a total of 46.5%.

HOW ARE MY CONCESSIONAL CONTRIBUTIONS CALCULATED?

Commonwealth Government Regulations set out the basis for calculating concessional contributions made to defined benefit superannuation schemes for the purpose of the Concessional Contributions Cap.

To make it easier for you to calculate concessional contributions to PSS (including your Basic Benefit in SANCS), simply use the formula below:

$$\begin{aligned} &\text{Your Salary at 30 June each year} \times 0.084^* \\ &+ \text{any salary sacrifice contributions to PSS} \\ &^*0.084 = 0.072 \text{ (PSS)} + 0.012 \text{ (SANCS)} \end{aligned}$$

*This amount is 0.012 if you have 30 or more years' service or are aged 60 or more at the start of the financial year. If you reach 30 or more years' service or age 60 during the financial year an apportionment would be required.

Your total concessional contributions equal:

Concessional contributions to PSS and SANCS + any salary sacrifice contributions to another fund*

*Remember, if you work somewhere else, employer contributions paid into any other fund on your behalf also need to be added to your total concessional contributions

Examples if you're less than age 50:

In the following examples we'll use Jim as an example of how to calculate total concessional contributions.

Jim's only job is with his PSS employer and his personal details are:

Superable Salary at 30 June 2007:\$70,000
Age at 30 June 2008:.....48

EXAMPLE 1:

Jim decides to continue making his 6% compulsory personal contributions to PSS from his after-tax salary. For the financial year ending 30 June 2008, his concessional contributions would be:

$$\begin{aligned} &\text{Salary} \times 0.084 \\ &\$70,000 \times 0.084 = \$5,880 \end{aligned}$$

If Jim does not make any salary sacrifice contributions to another fund, his total concessional contributions for the financial year ending 30 June 2008 would be \$5,880.

EXAMPLE 2

Jim decides to salary sacrifice his 6% compulsory personal contributions to PSS. Jim has to gross up his compulsory personal contributions as detailed in the PSS Salary Sacrifice Flyer. Jim's after-tax contribution of \$4,200 grosses up to \$4,941 on a salary sacrifice basis.

Using the formula, his concessional contributions to PSS would be:

$$\begin{aligned} &(\text{Salary} \times 0.084) + \text{salary sacrifice contributions to PSS} \\ &(\$70,000 \times 0.084) + \$4,941 \\ &\$5,880 + \$4,941 = \$10,821 \end{aligned}$$

If Jim does not make any salary sacrifice contributions to another fund, his total concessional contributions for the financial year ending 30 June 2008 would be \$10,821.

EXAMPLE 3

Jim decides to salary sacrifice his 6% compulsory personal contributions to PSS and salary sacrifice a further \$10,000 to his other superannuation top-up fund.

In Example 2 above, we know Jim's concessional contributions to PSS amounted to \$10,821. Therefore his total concessional contributions in this example would be:

$$\$10,821 + \$10,000 = \$20,821$$

By deducting this amount from the Concessional Contributions Cap of \$50,000, Jim is \$29,179 under the Concessional Contributions Cap for members aged less than 50.

WHAT HAPPENS IF CONCESSIONAL CONTRIBUTIONS EXCEED THE CAP?

Any concessional contributions exceeding the cap will be taxed at a total of 46.5%. You will be advised of any additional tax payable by the Australian Taxation Office (ATO) after submitting your tax return. The amount of the excess contributions will also then be counted as non-concessional contributions (see later question).

It is therefore important for members to carefully consider the level of salary sacrifice contributions they currently make or are considering making to another superannuation fund. You should consider obtaining financial advice in this regard.

WHAT IF I HAVE A SECOND JOB?

If you have a second job with another employer and that employer makes superannuation contributions to another fund on your behalf, you have to include those concessional contributions when calculating the total of your concessional contributions. Apart from Example 3, the other examples shown earlier in this Fact Sheet only relate to concessional contributions in relation to your PSS membership.

Any super fund of yours receiving employer contributions on your behalf (including any salary sacrifice contributions), reports that amount to the ATO each year. Those reported amounts from any other super funds are added to your reported PSS contributions and tested against the Concessional Contributions Cap.

I'M IN TWO SUPER FUNDS, WHAT DO I DO?

It is only those super funds of yours which receive employer contributions (including any salary sacrifice contributions) that are included in the calculation of your total concessional contributions.

DO AFTER-TAX CONTRIBUTIONS COUNT TOWARDS THE CONCESSIONAL CONTRIBUTIONS CAP?

No. These are counted towards a non-concessional contributions cap which is quite separate from the Concessional Contributions Cap. Non-concessional contributions are after-tax compulsory personal contributions you may make to PSS or any after-tax contributions you may make to another superannuation top-up fund.

The non-concessional cap is set at \$150,000 for the 2007-08 year. People under age 65 can bring forward two years' worth of non-concessional contributions, allowing up to \$450,000 to be contributed in a single year. Contributions exceeding this cap are taxed at 46.5%.

It is recommended you obtain professional financial advice to determine your best course of action regarding non-concessional contributions and concessional contributions.

more information

If you need more information, please contact us:

Telephone: 1300 130 097 (for the cost of a local call, unless calling from a mobile or pay phone)
8.30 am to 5.30 pm, Monday to Friday.

Personal interviews: Level 18, 83 Clarence Street, Sydney NSW 2000
Please phone (02) 9238 5540 to make an appointment.

Postal address: State Super, PO Box 1229, Wollongong NSW 2500

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