CONTRIBUTION CAPS AND YOUR TOTAL SUPERANNUATION BALANCE

This Fact Sheet provides information for members of the State Superannuation Scheme (SSS) about the Commonwealth Government’s concessional and non-concessional contribution caps for the financial year ended 30 June 2020.

As part of the 2016/17 Budget, the Government introduced a number of superannuation tax reforms that applied from 1 July 2017, including the introduction of the concept of a ‘total superannuation balance’. This Fact Sheet includes information on how your total superannuation balance affects the concessional and non-concessional contribution caps and how to determine your total superannuation balance.

This Fact Sheet only applies to SSS members. Members of SASS or PSS should refer to the specific scheme Fact Sheet on contributions caps 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.

You should consider obtaining financial advice to determine how the concessional and non-concessional contributions caps affect your superannuation arrangements.

CONCESSIONAL CONTRIBUTIONS

What are concessional contributions?

Concessional contributions are made into your super fund before tax.

Concessional contributions include:

- employer contributions, such as
  - employer contributions made to SSS
  - salary sacrifice contributions you make to SSS
  - employer contributions made to another fund (e.g. if you have a second job with another employer and that employer makes superannuation contributions to another fund on your behalf)
  - salary sacrifice contributions you make to another fund
- after tax contributions made to another fund that you have claimed as a tax deduction

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 concessionally taxed basis.

The following are the caps for the financial years ending 30 June 2019 and 30 June 2020:

2018–19 financial year

- $25,000 for all members

2019–20 financial year

- $25,000 for all members

The State Super schemes are administered by Mercer Administration Services (Australia) Pty Ltd on behalf of the Trustee, SAS Trustee Corporation (STC). SSS is governed by the Superannuation Act 1916, 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.

STC has published this Fact Sheet. STC is not licensed to provide financial product advice in relation to SSS.

Reasonable care has been taken in producing the information in this Fact Sheet and nothing in it is intended to be or should 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. 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.
Importantly, if SSS is your only superannuation fund, you do not exceed the cap – even if you decide to make all your compulsory personal contributions to SSS via salary sacrifice.

There are special conditions applying to defined benefit funds such as SSS. Under the Commonwealth Government’s superannuation regulations for calculating concessional contributions, a SSS member whose concessional contributions exceed their respective cap is deemed to be within their cap in regard to their SSS membership.

For example, a member on a high salary could theoretically exceed the concessional contribution cap in SSS, but their concessional contributions would be deemed to be equal to the cap. SSS would report that member’s SSS concessional contributions to the Australian Taxation Office (ATO) as the applicable cap amount.

No additional tax is applied to salary-sacrifice contributions exceeding the cap in SSS. However, a member who exceeds (exhausts) the cap in SSS may have any employer contributions made to another fund (including salary-sacrifice contributions) taxed at a higher rate as outlined under the heading ‘What happens if my concessional or non-concessional contributions exceed the cap?’.

### Carry forward concessional contributions

From 1 July 2018, if you have a total superannuation balance of less than $500,000 at the end of 30 June of the previous financial year, you may be entitled to contribute more than the general concessional contributions cap using the carried forward amounts of your unused concessional contributions.

The first year you will be entitled to carry forward any unused amounts will be in the 2019-20 financial year (i.e. any unused amounts from the 2018-19 financial year). Unused amounts are available for a maximum of five years, and will expire after this.

#### Example

If we assume you have a total superannuation balance of less than $500,000, the following table demonstrates the accumulated unused cap available when contributing various amounts of concessional contributions under the carry forward provisions.

<table>
<thead>
<tr>
<th>Financial year</th>
<th>General Contributions Cap*</th>
<th>Accumulated unused cap</th>
<th>Maximum cap available</th>
<th>Concessional contributions made in the financial year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017-18</td>
<td>$25,000</td>
<td>NA</td>
<td>$25,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>2018-19</td>
<td>$25,000</td>
<td>$0</td>
<td>$25,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>2019-20</td>
<td>$25,000</td>
<td>$5,000</td>
<td>$30,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>2020-21</td>
<td>$25,000</td>
<td>$15,000</td>
<td>$40,000</td>
<td>$26,000</td>
</tr>
<tr>
<td>2021-22</td>
<td>$25,000</td>
<td>$14,000</td>
<td>$39,000</td>
<td>$32,000</td>
</tr>
<tr>
<td>2022-23</td>
<td>$25,000</td>
<td>$7,000</td>
<td>$32,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>2023-24</td>
<td>$25,000</td>
<td>$2,000</td>
<td>$27,000</td>
<td>$25,000</td>
</tr>
</tbody>
</table>

* Assuming the cap remains at $25,000 and is not indexed in these financial years.

### Total Superannuation balance:

You will only be able to carry forward your unused concessional contributions cap if your total superannuation balance at the end of 30 June of the previous financial year is under $500,000. For further information on how to determine your total superannuation balance, please refer to the relevant section below.

### How are my concessional contributions made to SSS calculated?

The factors shown below and in the examples are the last adjusted figures as at 30 June 2019, they may be subject to change.

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 your concessional contributions to SSS (including your basic benefit in SANCS), simply use the formula below for your retirement age.

The salary to use in the formula below is your superannuation salary as at the last annual review day prior to the start of the financial year.

#### Retirement age 60:

Salary × 0.048* + any salary sacrifice contributions to SSS

* 0.048 = 0.036 (SSS) + 0.012 (SANCS)

If you have reached your retirement age of 60 at the start of the financial year this amount is equal to 0.012. If you reach age 60 during the financial year an apportionment would be required.
Retirement age 55:
Salary x 0.06** + any salary sacrifice contributions to SSS

**0.06 = 0.048 (SSS) + 0.012 (SANCS)

If you have reached your retirement age of 55 at the start of the financial year this amount is equal to 0.012. If you reach age 55 during the financial year an apportionment would be required.

Your total concessional contributions equal:
Concessional contributions to SSS and SANCS + any salary sacrifice contributions to another fund*.

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

Examples
In the following examples we’ll use Jim as an example of how to calculate total concessional contributions for the 2019–20 financial year.

Jim’s only job is with his SSS employer and his personal details are:
Retirement age:..........................................................60
Salary at 28 July 2018 (i.e. last annual review day prior to the start of the financial year):.................$70,000
Age at 30 June 2019:....................................................48
Jim’s current annual after-tax compulsory personal contributions to SSS: .................................$4,200
Jim’s cap for the 2019–20 FY:.................................$25,000

Example 1
If Jim decided not to salary sacrifice any compulsory personal contributions into SSS for the financial year ending 30 June 2020, his concessional contributions to SSS would be:

(Salary x 0.048) + any salary sacrifice contributions to SSS $70,000 x 0.048 + nil = $3,360

If Jim does not make any salary-sacrifice contributions to another fund, his total concessional contributions for the financial year ending 30 June 2020 would be $3,360.
Jim’s concessional contributions are under the concessional contributions cap of $25,000.

Example 2
Jim decides to salary sacrifice his compulsory personal contributions to SSS. Jim has to gross up his compulsory personal contributions (as outlined in SSS Fact Sheet 24: Salary sacrifice). 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 SSS would be:

(Salary x 0.048) + salary-sacrifice contributions to SSS ($70,000 x 0.048) + $4,941
$3,360 + $4,941 = $8,301

If Jim does not make any salary-sacrifice contributions to another fund, his total concessional contributions for the financial year ending 30 June 2020 would be $8,301.
Jim remains within the concessional contributions cap of $25,000.

Example 3
Jim decides to salary sacrifice his compulsory personal contributions to SSS and salary sacrifice a further $10,000 to his other superannuation top-up fund.

In Example 2 where Jim decided to salary sacrifice his compulsory personal contributions to SSS, we know Jim’s concessional contributions to SSS amounted to $8,301. Therefore his total concessional contributions in this example would be:

$8,301 + $10,000 = $18,301

In this example, Jim’s concessional contributions are still under the concessional contributions cap of $25,000.

Example for member working past maturity age and where that age was reached prior to the start of the financial year 2019–20

Mary’s only job is with her SSS employer and her personal details are:
Retirement age:..........................................................55
Salary at 28 July 2018 (i.e. last annual review day prior to the start of the financial year):.................$85,000
Age at 30 June 2019:.....................................................57
Mary’s current annual after-tax compulsory personal contributions to SSS: .................................$7,650
Mary’s cap for the 2019–20 FY:.................................$25,000
Mary has continued working past her retirement age of 55 and was 57 on 30 June 2019.
Do after-tax contributions count towards the concessional contributions cap?

No. These are counted towards the non-concessional contributions cap which is quite separate from the concessional contributions cap. Further information on non-concessional contributions is outlined below.

NON-CONCESSIONAL CONTRIBUTIONS

What are non-concessional contributions?

Non-concessional contributions are made into your super fund after tax.

Non-concessional contributions include:
- after-tax compulsory personal contributions you may make to SSS; or
- any after-tax contributions you may make to another superannuation top-up fund.

From 1 July 2017, the annual non-concessional contribution cap was reduced from $180,000 to $100,000 per year. People under age 65 may be able to bring-forward two years’ worth of non-concessional cap allowing up to $300,000 to be contributed in a single year.

Part of the changes that applied from 1 July 2017 that affect an individual’s non-concessional contributions cap and bring-forward period - is the introduction of the concept of the ‘total superannuation balance’. The concept of ‘total superannuation balance’ is a way to value your total super interests on a given date. Your total superannuation balance will be calculated at the end of 30 June of the previous financial year to determine your current non-concessional cap and bring-forward period.

For further information on how to determine your total superannuation balance, please see the relevant section below.

Non-concessional contributions cap

If your total superannuation balance at the end of 30 June in the previous financial year is less than $1.6 million (the general transfer balance cap for the 2017-18, 2018-19 and 2019-20 financial years), you will be eligible for a $100,000 non-concessional contributions cap.

If your total superannuation balance at the end of 30 June in the previous financial is greater than or equal to $1.6 million, your non-concessional cap will be nil. If you make non-concessional contributions, you will have excess non-concessional contributions. For further information on excess non-concessional contributions, please see the relevant section below.

How do the additional employer contributions (AEC) affect the reporting of my SSS concessional contributions?

The additional employer contributions (AEC) do not change the way that your concessional contributions are reported to the Australian Taxation Office (ATO). The AEC benefit forms part of your total defined benefit, and the formula used to determine your concessional contributions takes the AEC into account as part of your total defined benefit interest. So any contributions your employer makes to your AEC account does not change the amount of concessional contributions that are reported to the ATO.

What if I have a second job or have two super funds?

If you have a second job with another employer and that employer makes superannuation contributions to another fund on your behalf, or you salary sacrifice into another fund - you have to include those concessional contributions when calculating the total of your concessional contributions.

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 SSS contributions and tested against the concessional contributions cap.

You will also need to include any after tax contributions made to another fund that you have claimed as a tax deduction as these will also be counted towards the concessional contributions cap.
Bring-forward arrangement

If you are under age 65, you may be able to make non-concessional contributions of up to three times the annual non-concessional contributions cap in a single year by bringing forward your non-concessional cap for a two or three-year period. For example, you may contribute $200,000 in the first year and up to $100,000 over the following two years.

When you make contributions greater than the annual cap, you trigger the bring-forward arrangement and gain access to future year caps.

From 1 July 2017, the non-concessional contributions cap amount that you can bring-forward and whether you have a two or three year bring-forward period will depend on your total superannuation balance. Your total superannuation balance is determined at the end of 30 June of the previous financial year in which the contributions that triggered the bring-forward were made.

The following table outlines how your total superannuation balance affects the bring-forward arrangement.

<table>
<thead>
<tr>
<th>Total superannuation balance on 30 June 2019</th>
<th>Maximum non-concessional contributions cap for the first year</th>
<th>Bring-forward period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $1.4 million</td>
<td>$300,000</td>
<td>3 years</td>
</tr>
<tr>
<td>$1.4 million to less than $1.5 million</td>
<td>$200,000</td>
<td>2 years</td>
</tr>
<tr>
<td>$1.5 million to less than $1.6 million</td>
<td>$100,000</td>
<td>No bring-forward period. General non-concessional cap applies</td>
</tr>
<tr>
<td>$1.6 million</td>
<td>Nil</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Note: If you have triggered the bring-forward period in the 2017–18 or 2018–19 financial years but you have not fully used your bring-forward amount before 1 July 2019, the maximum amount of bring-forward available will reflect the reduced annual contribution caps as outlined in the below table.

<table>
<thead>
<tr>
<th>Year bring-forward period started</th>
<th>Maximum bring-forward amount in 2018–19</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017–18</td>
<td>$300,000 ($100,000 + $100,000 + $100,000)</td>
</tr>
<tr>
<td>2018–19</td>
<td>$300,000 ($100,000 + $100,000 + $100,000)</td>
</tr>
<tr>
<td>2019–20</td>
<td>$300,000 ($100,000 + $100,000 + $100,000)</td>
</tr>
</tbody>
</table>

For further information on how to calculate your total superannuation balance, please see the relevant section below.

How may the non-concessional cap affect my SSS membership?

If you are intending to retire at or after reaching your normal retirement age (60 or 55 in the case of women contributing to retire at age 55) it is important to note that, in the financial year in which you retire, any outstanding contributions payable at retirement must be paid from after tax monies and will count as a non-concessional contribution for that financial year.

As detailed above, if your total superannuation balance at the end of 30 June in the previous financial year is greater than or equal to $1.6 million, your non-concessional cap will be nil. If you make non-concessional contributions, you will have excess non-concessional contributions.

Excess non-concessional contributions are discussed further below, however it is important to note that in the event you exceed the non-concessional cap, you may receive a release authority from the ATO because they have issued you with an excess contributions tax assessment. Income tax legislation does not require a release authority to be accepted by a defined benefit scheme such as SSS. Unless you have benefits in another superannuation fund which are able to be released you will need to pay the excess contributions tax from your own money.

If your total superannuation balance at the end of 30 June in the previous financial year is less than $1.6 million, you will be eligible for a $100,000 non-concessional contributions cap. You will need to consider your contributions payable at retirement and whether your non-concessional contributions will exceed your relevant cap for the financial year. If you are under the age of 65 when exiting the fund, the bring-forward arrangements may provide access to a greater non-concessional cap.

For further information on excess non-concessional contributions, please see the relevant section below.

You should consider obtaining financial advice to determine how the non-concessional contributions caps affect your superannuation arrangements.
WHAT HAPPENS IF MY CONCESSIONAL OR NON-CONCESSIONAL CONTRIBUTIONS EXCEED THE CAP?

You will be advised by the ATO after submitting your tax return if you have exceeded either the concessional or non-concessional contributions cap.

Excess concessional contributions

From 1 July 2013, any concessional contributions exceeding the cap will be included in your taxable income and will be taxed at your marginal tax rate. You will receive a tax offset for the 15% contributions tax already paid. An excess contributions charge (interest) may also be payable to recognise that the tax on excess contributions is collected later than normal income tax.

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

In the event that you exceed the concessional contributions cap in the financial year ending 30 June 2014 or later years, the Commissioner of Taxation will issue you with an excess concessional contributions determination. This determination will identify the amount of your excess concessional contributions and any excess contributions charge. Members of accumulation funds can elect to release up to 85% of the excess concessional contributions from their fund. However, because SSS is a defined benefit scheme a release authority will not be accepted.

Excess non-concessional contributions

From 1 July 2013, if you exceed your non-concessional contributions cap you will have the opportunity to withdraw your excess contributions and 85% of the associated earnings on those contributions from your superannuation fund. The earnings amount will then be included in your taxable income. You will receive a tax offset if tax has been deducted.

If you do not apply for your excess non-concessional contributions to be released and they remain in your superannuation fund, they will be taxed at 47%.

It is therefore important to carefully consider the level of non-concessional contributions you currently make or are considering making to another superannuation fund. You should consider obtaining financial advice in this regard.

In the event that you exceed either of the contribution caps, you may receive a release authority from the ATO because they have issued you with an excess contributions tax assessment. Income tax legislation does not require a release authority to be accepted by a defined benefit scheme such as SSS. Unless you have benefits in another superannuation fund which are able to be released you will need to pay the excess contributions tax from your own money.

Note: the treatment of excess concessional and non-concessional contributions was different for financial years prior to the 2013–14 financial year.

TOTAL SUPERANNUATION BALANCE

As part of the Government’s Superannuation Reform Package announced in the 2016-17 Budget, the concept of a total superannuation balance was introduced as a way to value your total superannuation interests on a given date.

Your total superannuation balance is relevant when working out your eligibility for:

- the carry-forward of unused concessional contributions
- the non-concessional contributions cap and the two- or three-year bring-forward period
- the government co-contribution
- the tax offset for spouse contributions.

Total superannuation balance is generally calculated at the end of 30 June of each financial year. The first date it was used to determine your eligibility for these measures was 30 June 2017.

Working out your total superannuation balance

A member’s total superannuation balance at a particular time is the sum of the following:

- the accumulation phase value of your super interests that are not in the retirement phase,
- if you have a superannuation income stream in the retirement phase, the balance of your transfer balance account. If this balance is below zero (that is, in debit), then it is taken to be nil. For further information on transfer balance and modified transfer balance – see STC Fact Sheet 3: Taxation.
- the amount of any rollover superannuation benefit not already reflected in the accumulation phase value of your super interests or your transfer balance (that is, rollovers in transit between super funds on 30 June).
The amount of any structured settlement contributions (resulting from personal injury compensation) made to the individual’s superannuation is disregarded in the calculation of their total superannuation balance.

**Accumulation phase value**

Your ‘accumulation phase value’ is the total amount of superannuation benefits that would be payable if you had voluntarily ceased a super interest at the end of 30 June of a financial year.

Generally, this is the withdrawal value for an accumulation fund. For the SSS Scheme, in general terms the value will be the maximum lump sum that can be taken at that date. See further information below on the valuation method for certain types of members of the SSS Scheme.

The accumulation phase value also includes:

- certain deferred superannuation income streams,
- transition-to-retirement income streams, and
- superannuation income streams that have not complied with the pension or annuity standards or a commutation authority.

**Valuation method for the SSS Scheme**

As noted above, the basic principle is that the value of your SSS benefit will be the maximum lump sum that can be taken if you requested your benefit be paid at 30 June.

It will then need to be determined whether a member is in the Scheme retirement period at 30 June each year.

Generally the earliest retirement age when a pension first becomes payable within the scheme is age 55. Therefore for members age 55 or over, the value will be based on the maximum amount of retirement benefit that can be taken as a lump sum. Members have a choice between the immediate lump sum and the pension commutation lump sum once they become entitled to their pension. The highest of these figures is required to be reported.

For members under the age of 55, the value will be based on the maximum amount of withdrawal benefit that could be taken.

SSS members will generally also be entitled to a SANCS Basic Benefit and if applicable, a SANCS AEC benefit. These are lump sum benefits that will be added to the SSS valuation.

The below table outlines the various types of members and the value that will be reported at 30 June depending on their age at that date – under age 55 or on or after age 55.

<table>
<thead>
<tr>
<th>Type of member</th>
<th>Under age 55</th>
<th>Age 55 or greater</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributing member, Deferred member *</td>
<td>Withdrawal benefit</td>
<td></td>
</tr>
<tr>
<td>Preserved pension members #</td>
<td>N/A</td>
<td>Nil, unless the member has reached preservation age and has a commutation option at 30 June. Then the value is the commuted lump sum.</td>
</tr>
</tbody>
</table>

* Including standard deferred members, members who have a deferred benefit due to crystallisation after age 55 and deferred benefit due to SES election.

# Where a member has become entitled to a pension before reaching preservation age and accesses the non-preserved portion of their pension. The preserved pension accumulates as a lump sum in the scheme until preservation age is reached and a condition of release is met.

**DIVISION 293 TAX**

If you earn more than $250,000 (or $300,000 for financial years 2012-13 to 2016-17) your concessional contributions may be subject to Division 293 tax of 15%. For more information, see STC Fact Sheet 3: Taxation.

For further information please refer to the ATO website www.ato.gov.au.

**STATEPLUS¹ - PERSONAL FINANCIAL ADVICE FOR PUBLIC SECTOR EMPLOYEES**

StatePlus, formerly known as State Super Financial Services (SSFS), was established in 1990 by the SAS Trustee Corporation (STC) as a separate entity to ensure that STC members have access to expert advice in the complexities of their defined benefit schemes.

A StatePlus planner can help you calculate your concessional and non-concessional contribution amounts. To speak to a StatePlus financial planner about your situation, please call 1800 620 305 or visit www.stateplus.com.au.
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More information
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