16. SASS Concessional Contributions Cap

This Fact Sheet provides information for members of the State Authorities Superannuation Scheme (SASS) about the Commonwealth Government's Concessional Contributions Cap for the financial year ended 30 June 2013.

Please note, 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.

It is recommended you also read SASS Fact Sheet 17, Salary Sacrifice which explains how salary sacrifice works in SASS. In addition, there are salary sacrifice calculators available on the State Super website, which will illustrate the tax implications of making salary sacrifice contributions.

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

WHAT ARE CONCESSIONAL CONTRIBUTIONS?

Concessional contributions include employer contributions made to SASS and any salary sacrifice contributions you make to SASS.

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.

It is your age at 30 June each financial year that determines which cap applies. Following are the caps for the financial years ending 30 June 2012 and 30 June 2013:

2011/12 financial year
- $25,000 for members aged less than 50 at 30 June 2012
- $50,000 for members aged 50 or more at 30 June 2012

2012/13 financial year
- $25,000 for all members irrespective of age

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

For example, for the 2012/13 financial year a member on a high salary could theoretically exceed the concessional contribution cap of $25,000 in SASS, but their concessional contributions would be deemed to be equal to the cap. In that event, SASS would report that member’s SASS concessional contributions to the Australian Taxation Office (ATO) as $25,000.

However members lose this special condition permanently if they have moved to a higher Benefit Category since 12 May 2009 or if members subsequently increase their compulsory personal contribution rate to such an extent that they move into a higher Benefit Category (see example 5). For example, if a member contributing at the 6% or more Benefit Category as at 12 May 2009 reduced their contribution rate to the 4% Benefit Category from 1 April 2011 and then subsequently increased it back to the 6% or more Benefit Category as at 1 April 2012, the member retains the protection of the cap as he/she has not moved to a higher Benefit Category since 12 May 2009. However, if a member contributing at the 5% Benefit Category as at 12 May 2009 reduced their contribution rate to the 3% Benefit Category from 1 April 2011 and then increased their contribution rate to the 6% or more Benefit Category from 1 April 2012, the member would lose the protection of the cap as he/she has moved to a higher Benefit Category since 12 May 2009.

(Note that electing to salary sacrifice your compulsory personal contributions to SASS does not mean that you lose this special condition if you have not already lost the protection of the cap.)

Despite the special conditions applying to SASS, a member can still exceed the cap if additional employer contributions (including salary sacrifice contributions) are made to another fund on their behalf (that is to another fund in addition to SASS). 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.

In accordance with these Regulations, a different calculation is required for each Benefit Category. Your Benefit Category is determined by your compulsory personal contribution rate and is shown in the first column of the tables.

Different calculations are also required for former members of the State Public Service Superannuation Scheme (SPSSS) as shown below.

To make it easier for you to calculate your concessional contributions to SASS (including your Basic Benefit in SANCS), simply insert into the following formula your Total Benefit Factor from the right hand column of the tables. This is dependent on your relevant Benefit Category.

**Standard SASS members’ contribution rate Benefit Category**

<table>
<thead>
<tr>
<th>Benefit Category</th>
<th>SASS Benefit Factor %</th>
<th>SANCS Benefit Factor %</th>
<th>Total Benefit Factor % to use in formula calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 4%</td>
<td>4.8 +</td>
<td>1.2 =</td>
<td>6 (or 0.06)</td>
</tr>
<tr>
<td>4%</td>
<td>6.0 +</td>
<td>1.2 =</td>
<td>7.2 (or 0.072)</td>
</tr>
<tr>
<td>5%</td>
<td>8.4 +</td>
<td>1.2 =</td>
<td>9.6 (or 0.096)</td>
</tr>
<tr>
<td>6% or more</td>
<td>9.6 +</td>
<td>1.2 =</td>
<td>10.8 (or 0.108)</td>
</tr>
</tbody>
</table>

**Former SPSSS members’ contribution rate Benefit Category**

<table>
<thead>
<tr>
<th>Benefit Category</th>
<th>SASS Benefit Factor %</th>
<th>SANCS Benefit Factor %</th>
<th>Total Benefit Factor % to use in formula calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>3% or less</td>
<td>4.8 +</td>
<td>1.2 =</td>
<td>6 (or 0.06)</td>
</tr>
<tr>
<td>4%</td>
<td>7.2 +</td>
<td>1.2 =</td>
<td>8.4 (or 0.084)</td>
</tr>
<tr>
<td>5%</td>
<td>10.8 +</td>
<td>1.2 =</td>
<td>12.0 (or 0.12)</td>
</tr>
<tr>
<td>6% or more</td>
<td>12.0 +</td>
<td>1.2 =</td>
<td>13.2 (or 0.132)</td>
</tr>
</tbody>
</table>

The salary to use in the formula below is your superannuation salary at 1 April prior to the start of the financial year.

```
Salary \times \text{Total Benefit Factor}\* \\
\text{(from table)} \\
+ \text{any salary sacrifice contributions to SASS}
```

*If you have both 30 or more years’ SASS membership and you have accrued the maximum of 180 benefit points at the start of the financial year your Total Benefit Factor is 0.012. If you reach 30 or more years’ SASS membership and 180 benefit points during the year an apportionment would be required.

www.statesuper.nsw.gov.au
Your total concessional contributions equal:

Concessional contributions to SASS 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 2012/13 financial year. (Note the concept remains the same for the 2011/12 year, however the amount of the cap differs depending on your age for this financial year. See page 1 for further information.)

Jim’s only job is with his SASS employer and his personal details are:

Salary at 1 April 2012: ..................................$70,000
Age at 30 June 2013: .............................................48
Jim’s current after-tax compulsory personal contribution rate to SASS: ................................... 6%
Jim’s cap for the 2012/13 FY ..................$25,000

Example 1:
If Jim decided not to salary sacrifice any compulsory personal contributions into SASS for the financial year ending 30 June 2013, his concessional contributions to SASS would be:

(Salary x 0.108) + any salary sacrifice contributions to SASS

$70,000 x 0.108 + nil = $7,560

If Jim does not make any salary sacrifice contributions to another fund, his total concessional contributions for the financial year ending 30 June 2013 would be $7,560.

Jim’s concessional contributions are under the concessional contributions cap of $25,000.

Example 2:
Jim decides to salary sacrifice his 6% compulsory personal contributions to SASS. Jim has to gross up his compulsory personal contributions as detailed in the SASS Salary Sacrifice fact sheet on the website.

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 SASS would be:

(Salary x 0.108) + salary sacrifice contributions to SASS

($70,000 x 0.108) + $4,941

$7,560 + $4,941 = $12,501

If Jim does not make any salary sacrifice contributions to another fund, his total concessional contributions for the financial year ending 30 June 2013 would be $12,501.

Jim remains within the concessional contributions cap of $25,000.

Example 3:
Jim decides to salary sacrifice his compulsory personal contributions to SASS 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 SASS, we know Jim’s concessional contributions to SASS amounted to $12,501. Therefore his total concessional contributions in this example would be:

$12,501 + $10,000 = $22,501

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

Example 4:
The following example shows how concessional contributions are calculated differently when a member had 30 years or more SASS membership and had accrued the maximum of 180 benefit points at the start of the financial year.

In Example 3 Jim decided to salary sacrifice an additional $10,000 to another superannuation fund, in addition to the salary sacrificed personal contributions made to SASS.

If Jim had reached 180 benefit points and had 30 years or more SASS membership at the start of the year, then the formula would change so that his concessional contributions would be calculated as follows:

(Salary x 0.012) + salary sacrifice contributions to SASS + additional salary sacrifice contributions made to the other superannuation fund

($70,000 x 0.012) + $4,941 + $10,000

$840 + $4,941 + $10,000 = $15,781.

In this example, Jim’s SASS concessional contributions are reduced because he had reached 180 benefit points and had 30 or more years SASS...
membership at the start of the financial year. He is still under the concessional contributions cap of $25,000.

Example 5:
The following example shows how a member who moves into a higher Benefit Category by increasing their compulsory personal contribution rate, loses those special cap conditions detailed earlier in this Fact Sheet.

Mary is 47 and has always contributed 5% of salary to SASS.

However, Mary elects to contribute 6% of salary from 1 April 2013. This means her Total Benefit Factor will increase from 9.6% to 10.8%. Therefore she will move to a higher Benefit Category and loses those special cap conditions.

If her concessional contributions to SASS for the 2012-2013 financial year were $40,000, the amount reported to the ATO would be $40,000 and $15,000 would be treated as excess contributions.

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 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.

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 SASS contributions and tested against the Concessional Contributions Cap.

I HAVE MORE THAN ONE SUPER FUND, HOW DOES THE CONCESSIONAL CONTRIBUTIONS CAP APPLY?

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 the nonconcessional contributions cap which is quite separate from the Concessional Contributions Cap. Non-concessional contributions are after-tax compulsory personal contributions you may make to SASS 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 2011-12 and 2012–13 years. People under 65 can make up to $450,000 non-concessional contributions in one year (but the non-concessional contributions are limited in the next two years so that no more than $450,000 has been contributed over the three years). 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 versus concessional contributions.

CONCESSIONAL CONTRIBUTIONS CAP: POLICE OFFICERS

Under the Police Blue Ribbon Insurance (PBRI) arrangements, Police SASS members have PBRI Death and TPD cover in First State Super unless they have Additional Benefit Cover in SASS. All Police SASS members (i.e. those with SASS Additional Benefit Cover and those without it) have PBRI income protection cover in First State Super.

All contributions to First State Super for PBRI TPD, Death and Income Protection benefits (whether they be member salary contributions or employer contributions) count towards a member's concessional contributions cap. It is therefore important for Police SASS members to take all PBRI contributions into account when considering whether they may breach their concessional contributions cap.

Police who have queries regarding the effect of PBRI contributions on their concessional contributions cap should refer to the NSW Police Force Death and Disability Fact Sheet 6 “State Authorities Superannuation Scheme Opt Out Opportunity” for further information.
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