UniSuper

Fact sheet

The concessional contributions cap and NTCs for DBD members receiving 14% employer contributions

What this fact sheet covers

Explains how the concessional contributions cap could affect your superannuation, and how Notional Taxed Contributions (NTCs) apply to UniSuper's Defined Benefit Division (DBD) members.

What are concessional contributions?

Generally, a concessional contribution is a contribution made by or for you before tax, and includes:

- any notional taxed contributions to the defined benefit component
- any contributions made under a salary sacrifice arrangement
- any employer contributions made to your accumulation component
- any personal contributions that are claimed as a tax deduction (where you are eligible to claim the tax deduction), and
- the taxable component of all your directed termination payments in excess of $1 million.

The concessional contributions cap could have a significant impact on your superannuation so it's important to understand the implications of your cap and what you can do to minimise its impact on you.

Who is this fact sheet for?

UniSuper's Defined Benefit Division (DBD) members receiving 14% employer contributions (except those who transferred to UniSuper from the Walter and Eliza Hall Institute of Medical Research fund).

This fact sheet does not apply to members making half contributions.

Concessional contributions caps and tax

Concessional contributions made into your super each financial year (in total across all the super funds you have) that don't exceed your concessional contributions cap are taxed at a concessional rate of 15%.

The concessional contributions cap limits the amount of concessional contributions (including employer and salary sacrifice contributions) that can be made into a member's super each financial year before higher taxes apply.

Any concessional contributions made that exceed your concessional contributions cap will be taxed at an additional 31.5% – a tax of 46.5% in total.

Please note if you split your contributions with your spouse, the full amount of the original contributions still counts towards your concessional contributions cap.

Excess concessional contributions can remain in your account, but, once the Australian Taxation Office has issued an excess contributions tax assessment notice, you must pay the excess contributions tax due.

To pay the tax you can:

- withdraw the amount from any accumulation (not defined benefit) super balance you have
- use your income or savings outside of super, or
- pay with a combination of these options.

Please also note excess concessional contributions are also counted towards your non-concessional contributions cap. This means they might incur a further 46.5% tax if your non-concessional (after-tax) contributions cap is exceeded.

For more information about non-concessional contributions, **see www.unisuper.com.au/members/grow-your-super/making-contributions.**

Please note

It is the responsibility of members to track whether they will exceed or have exceeded their contributions caps.

What if I exceed the concessional contributions cap?

If you know you are going to exceed, or are concerned about potentially exceeding, the concessional contributions cap, to learn about some of your options, refer to the following fact sheet relevant to you:

- Options for grandfathered DBD members at risk of exceeding their concessional contributions cap
- Options for non-grandfathered DBD members at risk of exceeding their concessional contributions cap

What are Notional Taxed Contributions?

Notional Taxed Contributions (NTCs) are the notional amount of contributions (excluding after-tax member contributions) that relate to your defined benefit interest.

NTCs are counted towards a member's concessional contributions cap and are added to the other concessional contributions made to a member's accumulation style accounts in a financial year to determine whether the member's concessional contributions cap has been exceeded.

NTCs are used because it isn't possible to identify the actual amount of contributions (either salary sacrifice or employer) funding a member's defined benefit component.

NTCs are generally lower than the actual level of employer contributions and standard employee salary sacrifice contributions that are made into the DBD on a member's behalf, and so tend to (in general terms) be of benefit to DBD members compared with accumulation members.

This means there may be more scope for DBD members to 'top up' their contributions before they reach the annual cap.

The extent of this benefit, however, varies between different sub-groups of DBD members, owing to the way the government has constructed the NTC formula.

Special 'grandfathering' rules for DBD members on 12 May 2009

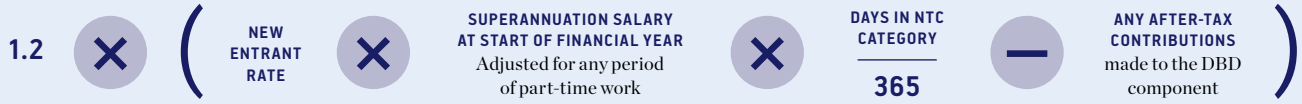
If you have been a DBD member prior to or since 12 May 2009, special 'grandfathering' arrangements generally apply. For these members, if the Notional Taxed Contribution (NTC) amount is calculated to be above the concessional contributions cap and you are grandfathered we will report to the ATO that your NTCs are equal to the cap (but not above it).

These grandfathering rules only apply to NTCs (which relate to the defined benefit component of your benefit). They do not apply to other concessional contributions made to an accumulation component or to concessional contributions made to another fund that would also count towards a member's concessional contributions cap for a financial year.

Note: These grandfathering rules do not apply to members who joined the DBD after 12 May 2009. Grandfathering rules can be lost for members who left the DBD after 12 May 2009 and since returned. Grandfathering rules can also be lost in other cases – including where your superannuation salary is increased by a non-arm's length amount, or the rules of the Fund are changed resulting in an increase in the value of your retirement benefit.

Calculating the annual NTC amount

To determine the NTC amount for a financial year, UniSuper uses the following formula:



THE NTC FORMULA EXPLAINED	
New entrant rate	The Fund's actuary has calculated new entrant rates for UniSuper defined benefit members. These rates are determined by the date the member joined the Fund and groupings of the selected member contribution rates. The regulations prescribe the way new entrant rates must be calculated. To see your new entrant rate, please refer to the table to the right.
Superannuation salary at start of financial year adjusted for any periods of part-time work	Generally this is your annual salary as at 1 July of the financial year, adjusted for any periods of part-time work.
Days in NTC category	How many days in the financial year you were in the same benefit category.
Any after-tax contributions to the DBD component	This is the amount of after-tax member contributions paid by or on behalf of you in respect of your defined benefit component in the financial year.

The NTC amount determined using the above formula could be further increased in some cases, including where your superannuation salary is increased by a non-arm's length amount or the rules of the Fund are changed resulting in an increase in the value of your retirement benefit.

This NTC amount, together with any other concessional contributions made to the accumulation component, is reported to the ATO and compared to the concessional contributions cap.

Your NTC new entrant rate

Your NTC new entrant rate is used to determine your annual NTC amount as discussed above.

EMPLOYER CONTRIBUTION RATE	MEMBER CONTRIBUTION RATE		NTC NEW ENTRANT RATE	
	BEFORE TAX	AFTER TAX	JOINED DBD[2] BEFORE 1 JULY 1998	JOINED DBD[1] ON OR AFTER 1 JULY 1998
14% to the DBD only	8.25%	7.00%	13%	14%
	7.70%	6.55%	13%	13%
	6.55%	5.55%	12%	12%
	5.35%	4.55%	11%	12%
	4.20%	3.55%	10%	11%
	3.00%	2.55%	10%	10%

[1] If you are unsure about when you joined the DBD, log into MemberOnline (the secure part of our website)

Example

MEMBER PROFILE FOR 2012/13 FINANCIAL YEAR	
Joined DBD	2 July 1998
Age	40 years
Days in NTC category (adjusted for any periods of part-time work)	365 (employed full time during entire financial year)
Member contribution rate (before tax)	8.25% (maximum standard member contribution)
Superannuation salary at 1 July 2012	$100,000 p.a.
NTC new entrant rate (from table on previous page)	14%

To calculate the NTC amount of this member for 2012/13:

$$1.2 \times \left(14\% \times \$100{,}000 \times \frac{365}{365} - 0 \right) = \$16{,}800$$

As the member has salary sacrificed the maximum member contribution, there can be no after-tax contributions being made to the defined benefit component on their behalf that can be deducted as part of the formula.

In this case, the member's total concessional contributions reported to the ATO for 2012/13 will be $16, 800.

This member is below their $25, 000 concessional contributions cap.

These calculations assume no concessional contributions are made for the member to another superannuation fund and no additional concessional contributions are made for the member to their UniSuper accumulation component.

Where can I get help?

- To see your personal NTC amount log into MemberOnline (the secure part of our website) and visit the NTC area under the My Account tab.
- You can call us on 1800 331 685 for general advice and to ask any questions you may have about concessional contributions caps, NTCs, contribution flexibility, or super in general.
- Before making any decision about the options available to manage your concessional contributions, we strongly recommend that you consult a qualified financial adviser. You can speak to UniSuper Advice for personal advice that takes your specific financial goals and needs into account. For more information visit **www.unisuper.com.au/advice**, or call UniSuper Advice on **1300 331 685**

This information is of a general nature only and includes general advice. It has been prepared without taking into account your individual objectives, financial situation or needs. Before making any decision in relation to your UniSuper membership, you should consider your personal circumstances, the relevant product disclosure statement for your membership category and whether to consult a licensed financial adviser.

This information is current as at July 2012 and is based on our understanding of legislation at that date. Information is subject to change. To the extent that this fact sheet contains information which is inconsistent with the UniSuper Trust Deed and Regulations (together the Trust Deed), the Trust Deed will prevail.

Issued by: UniSuper Management Pty Ltd ABN 91 006 961 799, AFSL No. 235907 on behalf of UniSuper Limited the trustee of UniSuper, Level 35, 385 Bourke Street, Melbourne Vic 3000.

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Trustee: UniSuper Limited, ABN 54 006 027 121
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