

# Employer and Salary Sacrifice Contributions



This factsheet relates to Defined Benefit Members of APSS

13 11 84 [australianretirementtrust.com.au](http://australianretirementtrust.com.au)

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## 1. Concessional Contributions Cap

Concessional contributions include employer contributions, salary sacrifice contributions and personal contributions for which a tax deduction is claimed. Concessional contributions up to the cap are taxed at 15% and concessional contributions above the cap may be subject to additional tax.

The concessional contributions cap is:

Financial Year	Concessional Contributions cap
2023 – 24	\$27,500

The \$27,500 cap will be indexed to Average Weekly Ordinary Time Earnings (AWOTE), however the actual increase will only occur in increments of \$2,500.

For defined benefit members, the Government has set out a standard method that superannuation funds must follow to calculate the amount of concessional contributions for a financial year. The total concessional contributions for a defined benefit member include any concessional contributions to provide accumulation benefits as well as notional taxed contributions (NTC) relating to their defined benefit. These NTC are calculated using a standard method that is set out in Sections 3 and 4 as it applies to APSS.

If the total concessional contributions for a financial year exceeds your concessional contributions cap, then the concessional contributions above the cap may be subject to additional tax. However, special grandfathering provisions may apply – see Section 4 for more information.

If you have a total superannuation balance of less than \$500,000 on 30 June of the previous financial year, you may be entitled to 'carry-forward' unused concessional contributions. This means that you can contribute more than the general concessional contributions cap, and make additional concessional contributions for any unused amounts. Amounts carried forward that have not been used after five years will expire.

If your concessional contributions have exceeded the concessional contributions cap, the Australian Taxation Office (ATO) will contact you directly.

Please note that if you are a member of any other superannuation fund, your contributions will consist of the amount reported by Australian Retirement Trust plus the total of all other amounts reported by any other superannuation fund(s) for which you are a member.

## 2. Additional tax where income exceeds \$250,000 – Division 293 Tax

If your income including before-tax (concessional) contributions is over \$250,000, an additional 15% tax will apply to some or all of these contributions. Please refer to the ATO website for the definition of income.

The ATO is responsible for assessing liability for this tax, based on a member's personal income tax returns and contribution information provided by superannuation funds. ATO assessments relating to this tax refer to it as 'Division 293 Tax'.

For defined benefit members, the standard method for calculating concessional contributions for a financial year for APSS as set out in Section 3.

Please note that if you are a member of any other superannuation fund, your contributions will consist of the amount reported by Australian Retirement Trust plus the total of all other amounts reported by any other superannuation fund(s) for which you are a member.

Where a defined benefit member is subject to a Division 293 Tax assessment, then payment of that part of their liability in respect of the defined benefit will be deferred until the defined benefit becomes payable.

If this additional tax applies to you, the ATO will contact you directly.

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## 3. Total Concessional Contributions for Defined Benefit Members

The standard method for calculating the total concessional contributions for a defined benefit member for a financial year is the sum of items A and B below:

### A. Notional Taxed Contributions (NTC)

The amount is calculated as:

$$(\text{Contribution Rate} \times \text{Salary})$$

Where:

**Contribution Rate** is the rate for the benefit category set out below.

Benefit Category <sup>1</sup>	Description of the Benefit Category <sup>2</sup>	Contribution Rate <sup>3</sup>
<b>Permanent employees (Category A)</b>		
	Salary \$51,260 or greater	10.8%
	Salary \$43,230 – \$51,259	12.0%
	Salary \$37,390 – \$43,229	13.2%
	Salary \$32,930 – \$37,389	14.4%
	Salary \$29,420 – \$32,929	15.6%
	Salary \$26,590 – \$29,419	16.8%
	Salary \$24,260 – \$26,589	18.0%
	Salary \$22,290 – \$24,259	19.2%
	Salary less than \$22,290	20.4%
<b>Non-permanent employees (Category B)</b>		
	Salary \$53,990 or greater	8.4%
	Salary \$47,990 – \$53,989	9.6%
	Salary \$43,200 – \$47,989	10.8%
	Salary \$39,270 – \$43,199	12.0%
	Salary \$36,000 – \$39,269	13.2%
	Salary \$33,230 – \$35,999	14.4%
	Salary \$30,850 – \$33,229	15.6%
	Salary \$28,800 – \$30,849	16.8%
	Salary less than \$28,800	18.0%
<b>CSS members (Category D)</b>		
	Salary \$58,900 or greater	1.2%
	Salary less than \$58,900	2.4%

1. The above Benefit Categories do not necessarily match the membership categories set out in the Plan's governing rules.

2. The above listed salaries are indexed at the Australia Post Wage Index annually on 1 July.

3. This is the rate applicable whilst the Superannuation Guarantee (SG) is 11%, please contact the Plan Administrator for the information on rates that apply if the SG rate changes. The Contribution Rate may change for other reasons, therefore it is important to check with the Plan Administrator what the current rate is before making decisions about making any additional (voluntary) salary sacrifice contributions.

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**Salary** is the member's annual superannuation salary on 1 July at the beginning of each financial year.

## Notes:

- a. For part-time members, the calculation is performed on a pro-rata basis.
- b. For a member who leaves the plan during the financial year, the calculation is performed on a pro-rata basis.
- c. Members may continue accruing a benefit during a period of approved leave without pay (i.e. membership continues to be counted). The period of accrual for approved leave without pay is generally capped at 28 days, except for the following:
  - Maternity/Paternity/Adoption leave: Accrual continues for 12 months
  - CSS (Category D) members: Accrual continues for 12 months
- d. Where a defined benefit is increased above the benefits provided in the Plan's rules, an additional concessional contribution may be reported to the ATO.

## B. Accumulation component

The amount of concessional contributions during a financial year to provide accumulation benefits that are not included in item A above (the NTC component). For example:

- Salary sacrifice contributions made by the member.

## 4. Grandfathering arrangements for Defined Benefit Members

Grandfathering arrangements may apply if you were a defined benefit member on 12 May 2009 and the NTC component (item A above) exceeds the concessional contributions cap.

Note that grandfathering arrangements do not apply to the Division 293 Tax.

If you are eligible for grandfathering, then the maximum amount of the NTC component will be equal to the concessional contributions cap for the financial year.

The grandfathering arrangements cease to apply in certain circumstances, for example:

- If the rules have changed or a discretion is exercised to improve the member's defined benefit;
- If the member has moved to a new benefit category and the Contribution Rate increases (unless the increase is due to a change to satisfy SG requirements or a compulsory category change);
- If the method of calculating superannuation salary has changed in a way that would increase the superannuation salary;
- If the rate of superannuation salary increase is more than 50% in 1 year on a non-arm's length basis; or
- If the rate of superannuation salary increase is more than 75% over 3 years on a non-arm's length basis.

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## Example 1

A Permanent Employee member has a salary of \$100,000 at the beginning of the 2023/24 financial year. The member pays additional salary sacrifice contributions of \$4,000 pa.

The amount of concessional contributions to be reported to the ATO for the 2023/24 financial year would be:

1. Notional Taxed Contributions (NTC):  
(Contribution Rate x Salary)  
= (10.8% x \$100,000)  
= \$10,800.

Plus

2. Accumulation component: \$4,000.

**For the 2023/24 financial year, the total amount of concessional contributions to be reported to the ATO is \$14,800.**

In this example, the member could make further additional salary sacrifice contributions of up to \$12,700 (\$27,500 less \$14,800) without breaching the concessional cap of \$27,500.

As the salary plus concessional contributions is less than \$250,000, no Division 293 Tax is payable.

## Example 2

A Permanent Employee member has a salary of \$300,000 at the beginning of the 2023/24 financial year and is eligible for the grandfathering provisions. The member pays no additional salary sacrifice contributions.

The amount of concessional contributions to be reported to the ATO for the 2023/24 financial year would be:

1. Notional Taxed Contributions (NTC):  
(Contribution Rate x Salary)  
= (10.8% x \$300,000)  
= \$32,400.

Under the grandfathering provisions, as this amount exceeds the concessional cap of \$27,500, the amount to be calculated by the ATO in respect of the NTC component is \$27,500.

Plus

2. Accumulation component: \$0.

**For the 2023/24 financial year, the total amount of concessional contributions to be reported to the ATO is \$27,500.** As the salary plus uncapped concessional contributions is \$332,400 and as this exceeds \$250,000, a Division 293 Tax is payable (note that grandfathering arrangements do not apply to the Division 293 Tax). The Division 293 Tax is 15% of the lesser of an individual's concessional contributions and the salary plus concessional contributions above the \$250,000 threshold. The Division 293 Tax is therefore 15% x \$32,400 = \$4,860. The payment of this liability is deferred until the defined benefit becomes payable at which time the ATO will contact the member.