

Employer and Salary Sacrifice Contributions for Defined Benefit Members of the APN Superannuation Plan

1. Concessional Contributions Cap

Concessional contributions include employer contributions plus salary sacrifice contributions. These concessional contributions up to the cap are taxed at 15% and concessional contributions above the cap are subject to additional tax.

The concessional contributions caps are:

Financial Year	Concessional Contributions cap
2016 - 17	Aged 49 years or over on 30 June 2016: \$35,000 Otherwise: \$30,000
2017 - 18	\$25,000

The \$25,000 cap will be indexed to AWOTE (Average Weekly Ordinary Time Earnings), 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 work out the amount of concessional contributions for a financial year. The concessional contributions for a defined benefit member are referred to as *total notional taxed contributions* and are calculated using a standard method. The standard method for the APN Superannuation Plan is set out in Sections 3 and 4.

If the total notional taxed contributions for a financial year exceeds your concessional contribution cap, then the concessional contributions above the cap are subject to additional tax.

If your concessional contributions have exceeded the concessional contribution 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 Sunsuper 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 \$300,000 - The Division 293 Tax

Effective from 1 July 2012, if your income including before-tax (concessional) contributions is over \$300,000, an additional 15% tax will apply to some or all of these contributions.

From 1 July 2017 onwards, the Division 293 threshold will reduce from \$300,000 to \$250,000.

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 total notional taxed contributions for a financial year for the APN Superannuation Plan is 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 Sunsuper 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 will be deferred until the defined benefit becomes payable.

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

3. Total Notional Taxed Contributions for Defined Benefit Members

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

A. Notional Taxed Contributions

The amount is calculated as:

$$\begin{aligned} & \textbf{(Contribution Rate x Salary)} \\ & \textbf{less} \\ & \textbf{(1.2 x Dollar value of Member After-Tax Contributions)} \end{aligned}$$

Where:

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

For those members for whom a 3% Employer award contribution is paid to another superannuation plan or the APN Superannuation Plan:

Benefit Category	Contribution Rate
5 and 6	12.0%
7	10.8%

The contribution rate in the table above excludes the 3% Employer award contribution.

For those members for whom a 3% Employer award contribution is not paid:

Benefit Category	Contribution Rate
5 and 6	15.6%
7	14.4%

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

Member After-Tax Contributions is the amount of member's compulsory after-tax contributions for the defined benefit.

Notes

- Where the compulsory member contribution is made by salary sacrifice there is no deduction from the formula in item A. above as these are incorporated into the Contribution Rate.
- For part-time members, the calculation is done on a pro-rata basis.
- For a member who leaves the plan during the financial year, the calculation is done on a pro-rata basis.
- Where a defined benefit is increased above the benefits provided in the Plan's rules, an additional concessional contribution may be reported to the Tax Office as a concessional contribution amount.

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 notional taxed contributions component). For example:

- Additional salary sacrifice contributions above the compulsory defined benefit member contribution amount.
- Additional employer contributions allocated to a separate accumulation account that is payable in addition to the basic defined benefit component.

4. Grandfathering Arrangements for Defined Benefit Members

Grandfathering arrangements may apply if you were a defined benefit member on 12 May 2009 and the Notional Taxed Contribution (item A above) exceeds the concessional contribution 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 Notional Taxed Contribution will be equal to the concessional contribution cap for the financial year.

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

- If the rules have changed to improve the member's defined benefit;
- If the member has moved to a new benefit category and the Contribution rate increases;
- 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-arms length basis; or
- If the rate of superannuation salary increase is more than 75% over 3 years on a non-arms length basis.

5. Example 1

A Category 5 member (for whom a 3% Employer award contribution is not paid) who is aged more than 49 has a salary of \$100,000 at the beginning of the 2016/17 financial year. The compulsory member contributions are paid as salary sacrifice contributions. The member pays additional salary sacrifice contributions of \$4,000. The employer pays an additional contribution of \$1,000 on their behalf.

The amount of concessional contributions to be reported to the ATO for the 2016/17 financial year would be:

1. Notional Taxed Contributions

(Contribution Rate x Salary) less (1.2 x Dollar value of Member After-Tax Contributions)

$$= (15.6\% \times \$100,000) - (1.2 \times 0)$$

$$= \$15,600.$$

Plus

2. Accumulation Component: \$4000 + \$1,000 = \$5,000.

For the 2016/17 financial year, the total amount of concessional contributions to be reported to the ATO is \$20,600. In this example, the member could make additional

salary sacrifice contributions of up to \$14,400 (\$35,000 less \$20,600) without breaching the concessional cap of \$35,000.

As the salary plus concessional contributions is less than \$300,000, no Division 293 Tax is payable.

6. Example 2

A Category 5 member (for whom a 3% Employer award contribution is not paid) who is aged more than 49 has a salary of \$350,000 at the beginning of the 2016/17 financial year and is eligible for the grandfathering provisions. The compulsory member contributions are paid as salary sacrifice contributions. The member pays no additional salary sacrifice contributions.

The amount of concessional contributions to be reported to the ATO for the 2016/17 financial year would be:

1. Notional Taxed Contributions

(Contribution Rate x Salary) less (1.2 x Dollar value of Member After-Tax Contributions)

$$= (15.6\% \times \$350,000) - (1.2 \times 0) \\ = \$54,600.$$

Under the grandfathering provisions, as this amount exceeds the concessional cap of \$35,000, the amount to be reported to the ATO in respect of the Notional Taxed Contributions Component is \$35,000.

Plus

2. Accumulation Component: \$0.

For the 2016/17 financial year, the total amount of concessional contributions to be reported to the ATO is \$35,000.

As the salary plus concessional contributions is \$404,600 and as this exceeds \$300,000, a Division 293 Tax is payable. The Division 293 Tax is 15% of an individual's taxable concessional contributions above the \$300,000 threshold. The payment of this liability is deferred until the defined benefit becomes payable at which time the ATO will contact the member.

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