

# Employer and Salary Sacrifice Contributions



This factsheet relates to Defined Benefit Members of the Hanson Australia Corporate Superannuation Plan

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 the Hanson Australia Corporate Superannuation Plan.

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 the Hanson Australia Corporate 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 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:

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

Where:

**Contribution Rate** is 16.8%.

**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 a 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 performed on a pro-rata basis.
- For a member who leaves the plan during the financial year, the calculation is performed 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 ATO 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 NTC 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.

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## 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 (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 Superannuation Guarantee (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 member has a salary of \$100,000 at the beginning of the 2023/24 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 2023/24 financial year would be:

1. Notional Taxed Contributions (NTC):  
(Contribution Rate x Salary) less (1.2 x Dollar value of Member After-Tax Contributions)  
= (16.8% x \$100,000) – (1.2 x 0)  
= \$16,800.

Plus

2. Accumulation component: \$4,000 + \$1,000 = \$5,000.

**For the 2023/24 financial year, the total amount of concessional contributions to be reported to the ATO is \$21,800.**

In this example, the member could make additional salary sacrifice contributions of up to \$5,700 (\$27,500 less \$21,800) 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 member has a salary of \$350,000 at the beginning of the 2023/24 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 2023/24 financial year would be:

1. Notional Taxed Contributions (NTC) component:  
(Contribution Rate x Salary) less (1.2 x Dollar value of Member After-Tax Contributions)  
= (16.8% x \$350,000) – (1.2 x 0)  
= \$58,800.

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

Plus

2. Accumulation component: \$0.

**For the 2023/24 financial year, the total amount of concessional contributions to be calculated by the ATO is \$27,500.**

As the salary plus uncapped concessional contributions is \$408,800 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 payment of this liability is deferred until the defined benefit becomes payable at which time the ATO will contact the member.