

# Employer and Salary Sacrifice Contributions



This factsheet relates to Defined Benefit Members of the IAG Superannuation Plan

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

Last updated | July 2024

## 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
2024 – 25	\$30,000

The \$30,000 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 IAG 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 IAG 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.

# Employer and Salary Sacrifice Contributions



This factsheet relates to Defined Benefit Members of the IAG Superannuation Plan

13 11 84 | art.com.au

## 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

The amount is calculated as:

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

Where:

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

Description of the Benefit Category	Contribution Rate <sup>1</sup>
DB Category A5A Ex-NRMA 5% member Contribution Rate (After-tax)	16.8%
DB Category A5 Ex-NRMA 5% member Contribution Rate (Before-tax)	16.8%
DB Category A3A Ex-NRMA 3% member Contribution Rate (After-tax)	14.4%
DB Category A3 Ex-NRMA 3% member Contribution Rate (Before-tax)	14.4%
DB Category A0 Ex-NRMA Non-contributory	10.8%
Category C Ex-CGU	10.8%
Category D Ex-CGU VACC-D 1.67% accrual	10.8%
Category B Ex-RACV	16.8%
Individual members of Ex-SGIO	
Categories E3 - Accrual rate 12%	14.4%
Category E5 Accrual rate 20%	16.8%

1. This is the rate applicable whilst the Superannuation Guarantee (SG) is 11.5%, please contact Australian Retirement Trust 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 Australian Retirement Trust what the current rate is before making decisions about making any additional (voluntary) salary sacrifice contributions.

**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.

# Employer and Salary Sacrifice Contributions



This factsheet relates to Defined Benefit Members of the IAG Superannuation Plan

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

## B. Accumulation component

The amount of concessional contributions during a financial year to provide accumulation benefits that are not included in item A (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.
- The 0.05% p.a. on a defined benefit member's Additional Accumulation account (subject to the fee cap that may apply) that represents the administration fee paid by your employer.

## 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.

# Employer and Salary Sacrifice Contributions



This factsheet relates to Defined Benefit Members of the IAG Superannuation Plan

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

## Example

A DB Category A5 Ex-NRMA 5% member Contribution Rate (Before-tax) member has a salary of \$100,000 at the beginning of the 2024/25 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 member has an average Additional Accumulation account of \$50,000 over the financial year.

The amount of concessional contributions to be reported to the ATO for the 2024/25 financial year would be:

1. Notional Taxed Contributions:

$$\begin{aligned} & (\text{Contribution Rate} \times \text{Salary}) \text{ less } (1.2 \times \text{Dollar value of Member After-Tax Contributions}) \\ & = (16.8\% \times \$100,000) - (1.2 \times \$0) \\ & = \$16,800. \end{aligned}$$

Plus

2. Accumulation component:  $\$4,000 + \$1,000 + (0.05\% \text{ pa} \times \$50,000) = \$5,025.$

**For the 2024/25 financial year, the total amount of concessional contributions to be reported to the ATO is \$21,825.**

In this example, the member could make additional salary sacrifice contributions of up to \$8,175 (\$30,000 less \$21,825) without breaching the concessional cap of \$30,000.

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