

Calculating notional taxed contributions



This fact sheet provides general information for members of the Contributory Scheme.

What are 'notional taxed contributions'?

If you are a Contributory Scheme member, notional taxed contributions are calculated on your behalf and are made up of notional employer (unfunded) contributions and any salary sacrifice contributions.

Notional taxed contributions are concessional contributions and RBF uses a prescribed formula to calculate the value of concessional contributions. The value of your notional taxed contributions is reported to the Australian Taxation Office on an annual basis by RBF.

What are concessional contributions?

Concessional (before tax) contributions include:

- 1 your calculated notional taxed contributions including employer contributions and any salary sacrifice contributions to the Contributory Scheme; plus
- 2 any employer super contributions your employer pays to another super scheme on your behalf including the following contributions:
 - a salary sacrifice contributions;
 - b Superannuation Guarantee contributions;
 - c employer productivity and industrial award super contributions;
- 3 any personal contributions you have made for which you have claimed a tax deduction¹; and
- 4 the excess untaxed component (if any) of any rollover super benefit received by a super fund on your behalf.

¹ Strict eligibility rules govern the tax deductibility of personal super contributions. RBF recommends that members seek advice from a taxation professional.

Concessional contribution caps

There is a limit on the amount of concessional contributions you can make each year to your super. This is called the concessional contributions cap. Your concessional contributions cap for a financial year is determined by your age as at 30 June in the financial year which the contributions were paid.

The concessional contributions cap for 2019-20 financial year are:

Age on 30 June 2019	Concessional contribution cap
Under 49	\$25,000
49 and over	\$25,000

If your total concessional contributions in any financial year exceeds the concessional contributions cap:

- 1 the amount of your excess concessional contribution is included in your assessable income for the financial year and is taxed at your marginal tax rate plus the Medicare Levy; and
- 2 you will receive a 15% tax-offset for the contributions tax you have already paid on your excess concessional contributions; and
- 3 you may be liable to pay an excess concessional contributions charge.

The Australian Taxation Office will issue you an excess contributions tax notice of assessment. You can choose to pay any excess concessional contributions tax yourself or you can choose to have the tax paid from your super by providing a voluntary release authority to your accumulation scheme super fund.

In addition, any excess concessional contributions may also be counted towards your non-concessional contributions cap for the financial year.

Non-concessional contributions are contributions you make to your super account from after-tax money, such as personal or spouse contributions. Non-concessional contributions are subject to a cap and you will incur additional tax if you exceed this cap.

For further information about tax on excess contributions, please refer to the Australian Taxation Office website at www.ato.gov.au.

Australian Taxation Office grandfathering rules

The Australian Taxation Office has special rules (called grandfathering rules) to determine the value of concessional contributions in relation to defined benefit schemes. If your notional taxed contributions in a financial year exceed your concessional contributions cap and you are eligible for the grandfathering rules, RBF will treat your notional taxed contributions as being equal to your concessional contributions cap.

Contributory Scheme members are eligible for the grandfathering provisions provided they were a member of the Contributory Scheme as at 12 May 2009.

Please note: Eligibility for the Australian Taxation Office grandfathering rules may be lost if your salary increases by more than 50% in one year and 75% over three years and the increase is on a non-arms length basis with the primary purpose being to achieve an increase in super benefits. For more information regarding loss of eligibility due to salary increases, please call the RBF Enquiry Line on **1800 622 631**.

How your notional taxed contribution impacts on your concessional contributions cap

If your calculated notional taxed contribution (using the RBF formula shown in this fact sheet) is less than the relevant concessional contributions cap, RBF will report your notional taxed contributions for the Contributory Scheme as the amount calculated for that financial year.

If your calculated notional taxed contribution is greater than the relevant concessional contributions cap and you satisfy the eligibility criteria for the Australian Taxation Office grandfathering rules, RBF will report your notional taxed contributions for the Contributory Scheme as equal to the relevant concessional contributions cap for that year.

If you are a member of any other super fund, your total concessional contributions will consist of your reported notional taxed contributions (for the Contributory Scheme and any other defined benefit funds you may have) plus the total of all other concessional contributions to all super fund(s) for which you are a member. The total of all concessional contributions will then be compared to the relevant Australian Taxation Office concessional contributions cap and any excess concessional contributions, above the cap, will be included in your assessable income and taxed at your marginal tax rate plus the Medicare Levy. You may also have to pay an excess concessional contributions charge.

This means that you will not exceed the concessional contributions cap as an eligible Contributory Scheme member provided you do not have any other concessional contributions outside the Contributory Scheme.

Note: Members who do not satisfy the eligibility requirements for the grandfathering rule will not have their notional taxed contribution reduced to the concessional contributions cap.

Calculating notional taxed contributions

As you are a member of the Contributory Scheme, RBF uses the following formula to calculate your notional taxed contributions:

$$\text{NTC}^2 = [1.2 \times (\text{NER} \times \text{FAS}(1) \times \text{FTE}\% \times \text{D}/365)] + \text{CON SALSAC}$$

Where

NTC	Your notional taxed contribution for a financial year
NER	The new entrant rate determined by the Actuary. If your membership category is 'Post 94 members' then NER = 6% If your membership category is 'Pre 94 members' then NER = 7% If you are a 2.5% contributor then NER = 8%
FAS(1)	Your Final Average Salary(1) as at 1 July of the relevant financial year (you can find this on your Member Benefit Statement).
FTE%	Your full-time equivalent percentage for the financial year.
D	Actual number of days of accrued membership for the financial year.
CON SALSAC	Your total gross salary sacrifice contributions paid to the Contributory Scheme during the financial year.

² Please note this version of the formula has been simplified to enable you to estimate your Contributory Scheme notional taxed contributions. No allowance is made for concessional contributions to other super funds on your behalf. We recommend that you seek professional taxation and financial advice that has regard to your personal circumstances.

If you contribute salary sacrifice contributions to the Contributory Scheme you can view these contributions for the financial year to date by logging in to the member secure website and going to the 'Account summary' section.

To calculate the amounts you are likely to contribute as salary sacrifice to the Contributory Scheme for the full financial year, you can apply the following calculation:

$$\text{CON SALSAC} = \text{FAS}(1) \times \text{FTE}\% \times \text{gross salary sacrifice rate}\%$$

Where gross salary sacrifice rate % is determined by the table below:

Your contribution rate %	Gross salary sacrifice rate %
5%	5.88%
6%	7.06%
7%	8.24%
8%	9.41%
9%	10.59%
10%	11.76%
11%	12.94%
12%	14.12%
13%	15.29%
14%	16.47%
15%	17.65%

e.g. if a Contributory Scheme member salary sacrifices 15% of their salary, the gross salary sacrifice rate to be included in the above formula would be 17.65%.

If you elect to improve your Contributory Scheme benefit by:

- ▶ upgrading past rate of contributions;
- ▶ purchasing non-contributory or past service; or
- ▶ by removing your service penalties;

an actuarial adjustment may be applied to your final notional taxed contributions amount.

Examples of concessional contribution calculations

Each of the following worked examples are for the 2019-20 financial year.

Example 1 – Member A

- ▶ salary sacrifices to the Contributory Scheme
- ▶ joined the Contributory Scheme prior to 12 May 2009 therefore grandfathering rules apply

Pre 1 July 1994 member

Full-time employee

Age 45

Salary sacrifice contributions paid to the Contributory Scheme for the entire year at the contribution rate of 5%.

FAS(1) is \$105,000 as at 1 July 2019.

$$\text{NTC} = [1.2 \times (\text{FAS}(1) \times \text{NER} \times \text{FTE} \times \text{D}/365)] + \text{CON SALSAC}$$

$$\text{NTC} = [1.2 \times (\$105,000 \times 7\% \times 100\% \times 365/365)] + (\$105,000 \times 5.88\%)$$

$$\text{NTC} = \$8,820 + \$6,176$$

$$\text{NTC} = \$14,996$$

Member A's notional taxed contributions are \$14,996 which is less than the concessional contributions cap of \$25,000 for the 2019-20 financial year.

RBF will report to the Australian Taxation Office that Member A's notional taxed contributions are \$14,996 for the 2019-20 financial year.

If Member A had also contributed salary sacrifice contributions of \$20,000 to another super fund during the financial year, the other super fund will separately report this contribution data to the Australian Taxation Office.

The Australian Taxation Office would calculate Member A's total concessional contributions for the 2019-20 financial year as \$34,996 (\$14,996 + \$20,000) which is greater than the concessional contributions cap of \$25,000.

Member A would have excess concessional contributions of \$9,996. The full amount of the excess concessional contributions will be added to Member A's assessable income for the financial year and taxed at Member A's marginal tax rate including the Medicare Levy. Member A will be eligible to claim a tax-offset of \$1,499 (15% of the excess concessional contributions).

If Member A's marginal tax rate including the Medicare Levy is 39%, then the additional tax on the excess concessional contributions would be \$2,399 (\$3,899 x 39% less \$1,499).

Example 2 – Member B

- ▶ salary sacrifices to the Contributory Scheme
- ▶ joined the Contributory Scheme prior to 12 May 2009 therefore grandfathering rules apply

Post 1 July 1994 member

Full-time employee

Age 48

Salary sacrifice contributions paid to the Contributory Scheme for the entire year at the contribution rate of 15% of salary.

FAS(1) is \$150,000 as at 1 July 2019.

$$\text{NTC} = [1.2 \times (\text{FAS}(1) \times \text{NER} \times \text{FTE} \times \text{D}/365)] + \text{CON SALSAC}$$

$$\text{NTC} = [1.2 \times (\$150,000 \times 6\% \times 100\% \times 365/365)] + (\$150,000 \times 17.65\%)$$

$$\text{NTC} = \$10,800 + \$26,475$$

$$\text{NTC} = \$37,275$$

Member B's notional taxed contributions are more than the concessional contributions of \$25,000 for the 2019-20 financial year.

RBF will report Member B's notional taxed contributions at \$25,000 only for the 2019-20 financial year (in line with the concessional cap).

If Member B has also contributed salary sacrifice contributions of \$15,000 to another super fund during 2019-20 financial year, the other super fund will separately report this contribution data to the Australian Taxation Office.

The Australian Taxation Office would calculate that Member B's total concessional contributions for the 2019-20 financial year are \$40,000 (\$25,000 + \$15,000) which is more than the concessional contributions cap of \$25,000.

Member B would have excess concessional contributions of \$15,000. The full amount of the excess concessional contributions will be added to Member B's assessable income for the financial year and taxed at Member B's marginal tax rate including the Medicare Levy. Member B will be eligible to claim a tax-offset of \$2,250 (15% of the excess concessional contributions). If Member B's marginal tax rate including the Medicare Levy is 39%, then the additional tax on excess concessional contributions would be \$3,600 (\$15,000 x 39% less \$2,250).

Example 3 – Member C

- ▶ salary sacrifices to the Contributory Scheme
- ▶ joined the Contributory Scheme after 12 May 2009 therefore the member is not eligible for the grandfathering rule

Post 1 July 1994 member
Married female employee joined Contributory Scheme 1 July 2010
Full-time employee
Age 48

Salary sacrifice contributions paid to the Contributory Scheme for the entire year at the contribution rate of 15%.

FAS(1) is \$150,000 as at 1 July 2019.

$$\text{NTC} = [1.2 \times (\text{FAS}(1) \times \text{NER} \times \text{FTE}\% \times \text{D}/365)] + \text{CON SALSAC}$$

$$\text{NTC} = [1.2 \times (\$150,000 \times 6\% \times 100\% \times 365/365)] + (\$150,000 \times 17.65\%)$$

$$\text{NTC} = \$10,800 + \$26,475$$

$$\text{NTC} = \$37,275$$

Member C's notional taxed contributions are more than the concessional contributions of \$25,000 for the 2019-20 financial year.

RBF will report that Member C's notional taxed contributions are \$37,275 for the 2019-20 financial year.

Member C would have excess concessional contributions tax of \$12,275. The full amount of the excess concessional contributions will be added to Member C's assessable income for the financial year and taxed at Member C's marginal tax rate including the Medicare Levy. Member C will be eligible to claim a tax-offset of \$1,841 (15% of the excess concessional contributions).

If Member C's marginal tax rate including the Medicare Levy is 39%, then the additional tax on excess concessional contributions would be \$2,946 (\$12,275 x 39% less \$1,841).

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Contacting RBF

Contact RBF if you would like additional information or assistance.

RBF Enquiry Line: 1800 622 631 or
+61 2 8571 6868
(international)

Visit: www.rbf.com.au

Write: RBF, Reply Paid 89418,
PARRAMATTA NSW 2124

Office: Ground Floor,
21 Kirksway Place,
Hobart

Level 3, Henty House,
1 Civic Square,
Launceston
