



An overview of superannuation contributions

This fact sheet explains the different types of contributions that can be made to your superannuation account, the caps or limits on those contributions, the conditions that apply and how contributions are taxed. **Note that the caps on contributions apply to ALL your superannuation accounts and ALL the contributions made by you or on your behalf in a year.**

More information about superannuation contributions can be found in the Contributions and Government co-contributions Member Booklet Supplements, and Fact Sheet 1.4 Salary sacrifice.

Types of contributions

Amounts paid into your superannuation account are called contributions and they fall into two groups — **concessional** contributions and **non-concessional** contributions.

1. Concessional contributions are before-tax contributions paid by your employer if you are an employee, or by you if you are self employed.

For employees, concessional contributions include both compulsory superannuation guarantee contributions and salary sacrifice contributions.

2. Non-concessional contributions typically refer to your personal after-tax contributions.



Concessional contributions

Concessional contributions include:

- Compulsory employer contributions – both superannuation guarantee and contributions made under an industrial award or certified agreement
- Any other employer contributions, including salary sacrifice contributions
- Contributions made by self-employed persons for which a tax deduction is claimed.

It is compulsory for most employers to contribute 9% of their employees' salaries to superannuation. You can ask your employer to pay more of your before-tax salary into super as an employer contribution. This is called **salary sacrifice**. Not all employers offer salary sacrifice arrangements so you should check that it is available before making your request.

From 1 July 2009, there is a cap of \$25,000 on the amount of concessional contributions that you can make to your superannuation fund(s). Concessional contributions in excess of the cap can be accepted by the Fund, but if we receive excess concessional contributions in any financial year, you will be liable for an additional 31.5% tax on the amount of contributions that exceed the cap. This tax will be levied on you and not on the Fund, and it is in addition to the tax of 15% already paid by the Fund on your concessional contributions.

Importantly, excess concessional contributions are also counted as non-concessional contributions and may be taxed again at 46.5% as excess non-concessional contributions.

A five-year transition period applies from 1 July 2007 to 30 June 2012 which allows people aged 50 and over on the last day of the relevant financial year to make **up to \$100,000** in concessional contributions for 2007-08 and 2008-09, then **\$50,000** for 2009-10, 2010-11 and 2011-12 before being subject to excess concessional contribution tax.

Non-concessional contributions

Superannuation contributions made from after-tax income are called non-concessional contributions.

Non-concessional contributions cannot be accepted unless the Trustee holds your **tax file number** (TFN). Non-concessional contributions include:

- Regular or one-off after-tax contributions
- Contributions made to your account by your spouse
- Any concessional contributions that exceed the concessional contributions cap.

There is a **cap of \$150,000** on the amount of non-concessional contributions that can be made by you or on your behalf. **The cap applies in total across all the funds to which you contribute; it is not a cap for each fund.** The non-concessional contribution cap is always **six times** the concessional contribution cap.

If you are under 65, you can bring forward up to two years of non-concessional contributions into the current year and make larger contributions of up to three times the non-concessional cap (ie. up to \$450,000). You can use the 'bring forward' rule if you are under 65 at any time during the first year of the three-year period. People aged 63 and 64 who take advantage of the 'bring forward' rule do not need to satisfy the work test upon turning age 65. Once you reach age 65, you generally are no longer able to use the 'bring forward' rule, and you must satisfy the **work test** (see next page) in order to make further non-concessional contributions.

There are significant tax implications if you exceed the non-concessional cap and part of your contribution may be returned. For details see Member Booklet Supplement:

Contributions.

Contributions specifically excluded from the non-concessional contribution cap include:

- Government co-contributions
- Contributions made from certain personal injury payments
- Contributions from the disposal of certain small business assets not in excess of \$1.1 million for 2009-10.

Who can make or receive contributions?

Concessional contributions

The table below outlines the conditions under which you may receive concessional contributions. Concessional contributions by the self-employed are treated in the same way as employer contributions.

Under 65	Your employer can contribute to the Fund.
65 – 74*	Your employer can contribute to the Fund if the contributions are mandated employer contributions**; or you have worked at least 40 hours in any consecutive 30-day period during the same financial year in which the contributions are made (this is called the ' work test ').
75 and over	Your employer can contribute to the Fund only if the contributions are mandated employer contributions** made under an award, determination or notional agreement preserving State Awards.

* Contributions must be received on or before the 28th day after the end of the month in which you turn 75.

** Mandated employer contributions are compulsory contributions and include superannuation guarantee contributions up to age 70 and employer contributions made under an industrial award or certified agreement.

Non-concessional contributions

The table below outlines the conditions under which you may make non-concessional contributions.

Any	Non-concessional contributions cannot be accepted unless the Trustee holds your tax file number (TFN).
Under 65	You can contribute to the Fund.
65 – 74	You must have worked at least 40 hours in any consecutive 30-day period in the current financial year AND the contribution must be received before the 28th day after the month in which you reach age 75.
75 and over	Non-concessional contributions cannot be accepted by the Fund if you have reached the age of 75 or more.



Indexation of contribution caps

The concessional contribution cap is indexed to Average Weekly Ordinary Time Earnings (AWOTE), but indexation will only take effect when the increase is greater than \$5,000. For example, if AWOTE is 3%, then the increase on \$25,000 is \$750 and the threshold will not be increased. The indexation is rounded down to the nearest \$5,000 threshold so that the threshold will be increased in the year when the sum of the increments is in excess of \$5,000. The Australian Taxation Office will publish the new thresholds each year. The non-concessional contribution cap is **not indexed** but will always be **six times** the concessional contribution cap.

Indexation does not apply to the transitional concessional contribution cap. If you opt to 'bring forward' part of your entitlement to make non-concessional contributions, indexation will not apply to your concessional contributions cap for the two years following the 'trigger year'.

Taxation of contributions

See Fact Sheet 2 Tax and super for more information.

Concessional contributions

A provision for tax of 15% is deducted from concessional contributions. If you have not provided your tax file number, a provision for an additional 31.5% tax (46.5% tax in total) may also be deducted from your concessional contributions.

Non-concessional contributions

Non-concessional contributions are not taxed on entry to the Fund and they are tax free when withdrawn. However, you may be liable for tax of 46.5% on any non-concessional contributions in excess of the non-concessional cap.



FIRST STATE SUPER

FSS Trustee Corporation

ABN 11 118 202 672 AFSL 293340

More information

If you need more information please contact us in one of the following ways:

Internet:

www.firststatesuper.com.au

Email:

enquiries@firststatesuper.com.au

Telephone:

1300 650 873 for the cost of a local call
(unless calling from a mobile or pay phone)
8.30 am to 5.30 pm (AEST) Monday to Friday

Postal Address:

PO Box 1229
Wollongong NSW 2500

For a personal interview:

Level 18
83 Clarence Street, Sydney NSW 2000
Please call first on (02) 9238 5540 to make
an appointment.

Important note: This communication contains general information only and does not take into account your specific objectives, financial situation or needs. It is therefore important, before deciding whether to become a member of First State Super (or, if you are already a member, to continue your membership) that you consider the First State Super Product Disclosure Statement (PDS) having regard to your own situation. The PDS is available by visiting our website or by calling us. The information contained in this document is current as at the time of printing. Prepared by FSS Trustee Corporation (FTC) ABN 11 118 202 672, AFSL 293340, as the Trustee of First State Superannuation Scheme, ABN 53 226 460 365.

