

Australian Government – Better Super Changes

Frequently asked questions

NON-CONCESSIONAL CONTRIBUTIONS

1. What is a non-concessional contribution?

Non-concessional contributions are contributions that you make to NTGPASS from your after-tax salary (for example, your compulsory contributions).

Other terms that are used for “non-concessional contributions” include: post-tax contributions, after-tax contributions, personal contributions, undeducted contributions, voluntary contributions, and spouse contributions.

2. Can I make a non-concessional contribution to NTGPASS?

Yes.

You can make non-concessional contributions to NTGPASS if you are aged 64 or younger. If you are aged between 65 and 74 you need to satisfy a work test in the year you wish to make the contribution, that is, you must have worked at least 40 hours in a period of 30 consecutive days in the same financial year the non-concessional contribution is made.

3. Is there an annual cap on the amount of non-concessional contributions I can make?

Yes.

From 1 July 2007, there is an annual non-concessional contributions cap of \$150 000.

4. Will NTGPASS let me make non-concessional contributions over the \$150 000 annual cap?

Yes.

If you are under age 65 you can make \$450 000 of contributions averaged over three years. This means you can bring forward up to two years worth of contributions which will allow you to make a maximum contribution of \$450 000 in one financial year with no contributions made in the next two financial years.

The following table provides examples of contributions you can make under the non-concessional caps.

	Maximum annual contribution	Maximum contribution using averaging	Maximum contribution using averaging
10 May 2006- 30 June 2007 (<i>Transitional arrangements</i>)	\$1 million	\$1 million	\$1 million
2006 – 2007	\$150 000	\$450 000	\$150 000
2007 – 2008	\$150 000	\$0	\$300 000
2008 – 2009	\$150 000	\$0	\$100 000
2009 – 2010	\$150 000	\$150 000	\$50 000

} (\$450 000)

5. Can I make a non-concessional contribution to NTGPASS over \$450 000?

No.

NTGPASS cannot accept a contribution from a member that exceeds the non-concessional cap.

6. I am 64 and am still working. I would like to bring forward two years of contributions and contribute \$450 000 – do I need to meet the work test in the next two years?

No.

People aged 63 and 64 who take advantage of the \$450 000 limit arrangements will not be required to meet the work test in either of the following two years.

7. Is the government co-contribution counted toward my non-concessional cap?

No.

The Government Co-contribution will not be included in the cap.

8. I make after-tax contributions to my spouse's NTGPASS account. Will these contributions count toward my non-concessional cap?

No.

These contributions will not be counted toward your non-concessional cap. However the contribution will be counted toward your spouse's non-concessional cap.

9. Can I make non-concessional contributions to NTGPASS and to another superannuation fund?

Yes.

You are allowed to make after-tax contributions to more than one fund, however the non-concessional cap applies to the total amount of contributions made to all funds you are a member of.

The following table provides an example of contributions made to two funds without exceeding the non-concessional cap.

Contribution Year	NTGPASS	AGEST
2006 - 2007	\$ 150 000	\$ 0
2007 - 2008	\$ 100 000	\$ 50 000
2008 - 2009	\$ 15 000	\$ 135 000
2009 - 2010	\$ 0	\$ 150 000

10. What if my total after-tax contributions exceed the non-concessional cap?

If you have made contributions that exceed the cap, the excess amount over the cap will be subject to additional tax of 46.5%.

The additional tax must be paid from a super fund. The ATO will issue a release authority to you detailing the excess contribution assessment. You will have 21 days to provide the release authority to your super fund, who will release funds to the ATO.

11. Will NTGPASS contact me if I have exceeded the non-concessional cap?

Yes.

NTGPASS will not accept contributions into the fund over the cap. If you try to make a contribution that will exceed the cap NTGPASS will contact you and return the contribution to you. However NTGPASS will be unaware of any contributions you make to other superannuation funds. NTGPASS is required to report all member contributions to the Australian Taxation Office (ATO) and the ATO will contact you if you have exceeded the cap.

CONCESSIONAL CONTRIBUTIONS

1. What is a concessional contribution?

Concessional contributions are contributions from your employer or your before-tax salary (for example, salary sacrifice contributions).

Other terms that are used for “concessional contributions” include: pre-tax contributions, before-tax contributions, employer contributions, salary sacrifice and deductible contributions.

2. I am an active NTGPASS member, can I make a concessional contribution to NTGPASS?

Yes.

You can make salary sacrifice contributions to your NTGPASS accumulation account.

3. I am a retained NTGPASS member, can I make a concessional contribution to NTGPASS?

No.

You cannot salary sacrifice to a NTGPASS retained account. You are only able to make non-concessional contributions and rollovers.

4. I am a retained NTGPASS member and I am currently self employed, can I make concessional contributions to my NTGPASS retained account?

No.

NTGPASS does not accept concessional contributions from outside employers (this includes self employed people). Other superannuation funds may allow you to do this as rule changes now allow self employed people to claim a full deduction on their concessional contributions.

5. Is there an annual cap on the amount of concessional contributions that can be made?

Yes.

There is an annual concessional contributions cap of \$50 000.

Transitional arrangements are in place to allow those aged 50 and over to make concessional contributions up to \$100 000 each financial year from 1 July 2007 until 30 June 2012.

6. I am an active NTGPASS member, will the notional amount of my NTGPASS employer contributions be counted toward the \$50 000 cap?

No.

The Territory-financed (employer) component of your NTGPASS benefit is not counted toward the concessional contribution cap. This part of your benefit is paid from an untaxed source on cessation of your employment with the Territory public sector and is exempt from the annual cap.

7. I am an active NTGPASS member and I am salary sacrificing to NTGPASS. What happens if my contributions exceed the \$50 000 concessional contributions cap?

Your excess contributions over the cap will be subject to an additional tax of 31.5% and will then be counted toward your non-concessional contribution cap.

You can choose to pay the additional tax from your personal savings or have part or all of it paid from your super fund. The ATO will issue you a release authority detailing the excess contribution assessment. You will have 90 days to pay the tax liability or to provide the release authority to your super fund, who will release funds to the ATO. If you choose to have only part of it paid from your super fund you will need to note the amount you wish them to release on the release authority document.

8. Does the \$50 000 cap count towards the \$150 000 cap?

No.

The caps are totally separate. This means you can salary sacrifice \$50 000 and make an after-tax contribution of \$150 000 to NTGPASS without exceeding either of the caps. However, if you make excess concessional contributions, the amount over the \$50 000 limit will have an additional tax applied and be counted toward your non-concessional limit.

9. How much tax will I incur if I have used up my non-concessional contributions cap (\$150 000) and have then exceeded my concessional cap of \$50 000?

LOTS!

It's possible for the excessive concessional contributions to be taxed at 93%. Firstly they are taxed as concessional contributions where they receive the standard 15% plus additional tax of 31.5% for exceeding the cap. The remaining amount is then counted toward your non-concessional contributions cap (\$150 000 or \$450 000 over 3 years). If this cap is exceeded you will pay a further excess tax of 46.5%.

So the message is: **DON'T EXCEED THE CAPS!**

10. Will the cap on the contributions change over time?

Yes.

The non-concessional cap will always be three times the amount of the concessional cap. The concessional cap is indexed to the Average Weekly Ordinary Time Earnings, but will only increase in increments of \$5000.

For example:

	Concessional Cap	Non-concessional Cap
Current (as at 1 July 2007)	\$50,000	\$150,000
Increment increase	\$55,000	\$165,000
Increment increase	\$60,000	\$180,000

TAX FILE NUMBERS (TFN)

1. Do I have to provide my TFN to NTGPASS?

No.

However there are tax penalties on your benefit for not supplying your TFN.

2. Can I still make after-tax contributions to NTGPASS if I have NOT supplied my TFN?

No.

NTGPASS is not permitted to accept after-tax contributions from members who have not supplied their TFN. NTGPASS is required to report all contributions made to the ATO who will use the information to ensure the non-concessional contribution caps are not exceeded.

NTGPASS have collected TFNs for all active members (those still employed with the Territory public sector).

If you have a NTGPASS retained account, please ensure the Superannuation Office has your TFN details when making an after-tax contribution. Contact the Superannuation Office if you would like to supply your TFN or to check if you have previously supplied this information. Ph: (08) 8901 4200

3. Will my concessional contributions made to NTGPASS be affected by changes in TFN laws?

No.

NTGPASS members will not be affected by changes in the new TFN laws. NTGPASS has collected TFNs for all of its active members and under NTGPASS rules, concessional contributions cannot be accepted into retained accounts.

BENEFITS

1. If I wait until I am 60 to retire from the Territory public sector, will my entire NTGPASS benefit be tax-free?

No.

Only benefits in a taxed fund are paid tax-free after age 60. Your NTGPASS benefit has both taxed and untaxed elements. If you are aged 60 or over when you claim your NTGPASS benefit, you will not pay tax on the benefit paid from your member accumulation account. The Territory-financed component of your benefit will be taxed at 15% up to \$1 million and at the top marginal tax rate over \$1 million.

2. Can I still choose which component of my benefit I am drawing on when I claim part of my benefit?

No.

The components of each benefit payment will be paid in the same proportion as those components of your total benefit in the fund.

UNCLAIMED BENEFITS

1. What is unclaimed money?

Your benefit becomes “unclaimed money” when:

- you turn 65,
- the fund has not received a contribution to your account for the last two years; and
- it's been five years since the fund last had contact with you, and after reasonable efforts have been made to contact you.

2. If my NTGPASS benefit becomes unclaimed money, what will happen to it?

With the removal of cashing rules your benefit will now stay in NTGPASS until it is claimed (either by you or your estate). Unclaimed benefits in private or industry superannuation funds will be paid to the Australian Taxation Office from 1 July 2007. Previously unclaimed money was sent to the State/Territory unclaimed money office.

TAXATION OF BENEFITS

1. I am 55 and have just retired. I am planning on taking a lump sum now and then another lump sum when I turn 60. Will I pay the same amount of tax?

No. The tax rates for those aged 55 to 59 differs to the tax rates for those aged 60 and over.

CASE STUDY

The following example shows a NTGPASS benefit of \$500 000 cashed at age 55 compared to being cashed at age 60.

Remember if you stay in work force until you are aged 60 instead of age 55, your benefit will have five years extra worth of personal and employer contributions and investment interest. The example does not take this factor into account.

Member Aged 55

Benefit Components	Benefit	Tax thresholds	Tax rate*	Tax paid	Net
Salary sacrifice contributions and interest	\$ 200,000	\$ 140,000	0.0%	\$ -	\$ 190,100
		\$ 60,000	16.5%	\$ 9,900	
Territory financed component	\$ 200,000	\$ -	16.5%	\$ -	\$ 137,000
		\$ 200,000	31.5%	\$ 63,000	
Member contributions	\$ 100,000		0%	\$ -	\$ 100,000
Total Net Benefit					\$ 427,100

*Note: tax rates provided include the Medicare Levy (1.5%)

Member Aged 60

Benefit Components	Benefit		Tax rate*	Tax paid	Net
Salary sacrifice contributions & interest	\$ 200,000		0%	\$ -	\$ 200,000
Territory financed component	\$ 200,000		16.5%	\$ 33,000	\$ 167,000
Member contributions	\$ 100,000		0%	\$ -	\$ 100,000
Total Net Benefit					\$ 467,000

*Note: tax rates provided include the Medicare Levy (1.5%)

For more FAQs, please visit www.simplersuper.treasury.gov.au/faq/