



PSF40  
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# Changes to Concessional Contributions

## Background

A number of measures were introduced in the 2016–17 Federal Budget with the aim of making superannuation fairer and more sustainable. Changes to the treatment of concessional contributions were among these measures.

This factsheet provides an overview regarding how these changes impact members of the Public Sector Superannuation (PSS) scheme from 1 July 2017.

## What is in this factsheet?

- > What changes are being made?
- > Calculation of a notional defined benefit contribution
- > Lowering of the concessional contributions cap
- > What happens if I exceed the concessional contributions cap?
- > What is the 'catch-up' provision?
- > How will I know if I am going to exceed the concessional contributions cap?
- > What do these changes mean for me?
- > Where can I get more information?



## Important

This factsheet is not intended to provide a comprehensive overview of the rules or general workings of concessional contributions. Concessional contributions are the responsibility of the Australian Taxation Office (ATO) and are not a scheme specific measure. More information can be obtained from [ato.gov.au](http://ato.gov.au) or from a qualified financial planner.

## What changes are being made?

From 1 July 2017, the following changes will apply:

- > PSS will be required to calculate and report a 'notional defined benefit contribution' against your concessional contributions cap.
- > The concessional contributions cap will decrease to \$25,000 per annum for all members.
- > There will no longer be a higher cap for members aged 49 or older on 30 June
- > The cap will be indexed in \$2,500 increments in line with Average Weekly Ordinary Time Earnings (AWOTE).

## Your Government Super at Work

The information provided in this document is general advice only and has been prepared without taking account of your personal objectives, financial situation or needs. Before acting on any such general advice, you should consider the appropriateness of the advice, having regard to your own objectives, financial situation and needs. You may wish to consult a licensed financial advisor. You should obtain a copy of the **PSS Product Disclosure Statement (PDS)** and consider its contents before making any decision regarding your super.

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Additionally, a new measure will be introduced from 1 July 2018 to allow members to bring forward any unused cap space and make 'catch-up' contributions, providing they have an account balance of less than \$500,000.

Your total superannuation balance is managed by the ATO and includes all amounts held by you in the accumulation and retirement phase. Further information about the calculation of your total superannuation balance will be made available at a later date.

Your unused cap space is the difference between the concessional contributions cap, and how much you have paid in concessional contributions in a financial year across all your superannuation interests.

## Calculation of a notional defined benefit contribution

A concessional contribution is a contribution paid into a super fund before any tax is deducted, and is usually taxed at 15% on entry to the scheme.

Prior to 1 July 2017, your reportable PSS concessional contributions consisted of your employer productivity contributions. Other contributions that are included by the ATO toward your total concessional contribution cap are any Super Guarantee (SG) contributions paid in regard to other employment and any salary sacrifice contributions to the Public Sector Superannuation accumulation plan (PSSap), or another eligible fund.

Currently, PSS reports your productivity contributions toward your concessional contributions cap.

From 1 July 2017, PSS is also required to report a notional defined benefit contribution amount towards the concessional contributions cap. The notional defined benefit contribution is determined by actuarial formula and is reported to the ATO at the end of each financial year. The notional defined benefit contribution is counted toward your concessional contribution cap to the extent that it exceeds your productivity contributions for that financial year.

It should be noted that the calculation of the notional defined benefit component is complex. To assist you, PSS have developed a concessional contribution estimator tool, which is available through Member Services Online (MSO), to help you manage your concessional contribution cap. However, we encourage you to seek the services of a licenced financial advisor or accountant for advice about the management of your concessional contribution cap across all your superannuation interests.

## Personal financial advice

The changes being made to concessional contributions are significant and may impact your financial future. It is crucial that you make the right decision for your needs. To help you achieve the best outcome, we encourage you to speak to a qualified financial planner who understands your scheme and situation.

To make a personal advice service available to you, your super trustee, Commonwealth Superannuation Corporation, has partnered with experienced financial planners from Industry Fund Services. It is 'fee for service' advice where you know the exact cost upfront and do not pay commissions. Please note, it generally takes six weeks from when you first contact Industry Fund Services to receive personal advice.

To book or find out more, please call 1300 277 777 or visit [csc.gov.au](http://csc.gov.au)

## Lowering of the concessional contributions cap

The amount of concessional contributions you can make is capped each financial year. This cap applies collectively to all concessional contributions made by you, or on your behalf, into superannuation.

Currently, the concessional contributions cap is \$30,000 per financial year, or \$35,000 for members aged 49 or older on 30 June. From 1 July 2017, this cap will be reduced to \$25,000 and there will no longer be a higher cap for members aged 49 or older on 30 June.

The concessional contributions cap is currently indexed in line with AWOTE in increments of \$5,000. From 1 July 2017, it will continue to be indexed in line with AWOTE, but now in \$2,500 increments.

## What happens if I exceed the concessional contributions cap?

The treatment of contributions in excess of the cap will vary depending on whether the contributions impact your defined benefit or are accumulation contributions. Concessional contributions in PSS are regarded as defined benefit contributions, and this factsheet outlines the treatment that will apply to your PSS concessional contributions only. If you make additional concessional contributions outside of PSS you should contact the relevant fund or the ATO to determine what treatment applies.

Where a PSS member exceeds their concessional contributions cap as a result of their PSS defined benefit contributions, they will be regarded as having met their cap but will not be considered to have exceeded the cap. This means that your PSS concessional contributions are protected from removal or other penalties.

However, this treatment is only applicable to PSS defined benefit contributions. If you exceed your cap due to contributions being made to another superannuation fund, you may be subject to penalties determined by the ATO.

## What is the new 'catch-up' provision?

The introduction of the concessional contributions 'catch-up' provision will allow members with a 'total superannuation balance' of less than \$500,000 on 30 June each year to access their unused cap space to make additional concessional contributions

Members will be able to access their unused cap space on a rolling basis for a period of five years. Amounts carried forward that have not been used after five years will expire. Only unused amounts accrued from 1 July 2018 can be carried forward, meaning eligible members will be able to make catch-up concessional contributions from 1 July 2019.

The PSS rules do not allow catch-up contributions to be made to the fund. However, you may wish to utilise this measure by making additional contributions, like salary sacrifice contributions, to another fund, such as a PSSap ancillary account.

## How will I know if I'm going to exceed the concessional contributions cap?

PSS have developed a concessional contribution estimator tool, which is available through MSO, to help you manage your concessional contribution cap. As the final concessional contribution values are not reported until after the end of a financial year, this should be treated as an estimate only.

While PSS can provide you with scheme specific information, the ATO will be assessing your concessional contributions for a financial year across all of your superannuation memberships. We therefore encourage you to seek the services of a licenced financial advisor or accountant about the management of your concessional contributions cap across all your superannuation interests.

## What do these changes mean for me?

The likelihood of exceeding the concessional contributions cap is now greater, given the lower concessional contribution cap and the requirement for PSS to report a notional defined benefit contribution value toward your concessional cap for the first time. While PSS concessional contributions will be protected from removal or penalties, you will have less cap space to utilise outside of PSS to make additional concessional contributions.

## Where can I get more information?

We can provide you with information that is specific to PSS, however the overall management of the concessional contributions cap is the responsibility of the ATO. They can confirm the amounts reported and whether you have exceeded your cap. Further information can be found at [ato.gov.au](http://ato.gov.au)

PSS are continuing to work through these changes and will provide updates through our website. Additional information and a series of Frequently Asked Questions (FAQs) are available at [pss.gov.au/2016-17-federal-budget](http://pss.gov.au/2016-17-federal-budget) which will be updated as more information becomes available.



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