# Contributing to super guide (AP.1)

Issued 1 July 2019

The information in this document forms part of the ESSSuper Accumulation Plan Product Disclosure Statement dated 1 July 2019.


## Contents



This Incorporated Guide has been issued to help you make an informed decision about ESSSuper's products, features and benefits. It's of a general nature only and doesn't take into account your personal or financial objectives, situation or needs. Before making a decision about an ESSSuper product, consider seeking professional advice from a licensed financial adviser. The information in this document is up-to-date at the time of issue but may change from time to time. When a change is not materially adverse, it will be updated and published on the ESSSuper website at **esssuper.com.au**. A paper copy of any updated information will be provided without charge on request.

## Compulsory employer (superannuation guarantee) contributions

Most employers must contribute a minimum amount called the superannuation guarantee (SG) to a super fund on behalf of their employees.

The SG amount is currently 9.5%* of an employee's ordinary time earnings. Your employer may contribute more as part of your award or workplace agreement.

Most people can choose which super fund their employer makes SG contributions into. However, you should check with your employer whether choice of fund applies to you.

If you are a new non-operational emergency services employee, your employer may, by default, make SG contributions to the ESSSuper Accumulation Plan ('Accumulation Plan'). Members whose employer contributes to a defined benefit fund on their behalf generally do not have the ability to choose which super fund their employer contributes to.

If you have an employer who is contributing to another super fund, you may be able to arrange for your employer to pay SG contributions directly into your Accumulation Plan account. To arrange this, you and your employer need to complete the *Choice of fund form (ES144)* available from our website at **esssuper.com.au/forms**. To move funds from another super fund to your ESSSuper Accumulation Plan account, please refer to the *Transfer your super form (ES104)* available from our website at **esssuper.com.au/forms**. You should check any relevant exit fees you may incur, any insurance arrangements that may be forfeited, and any other impacts ceasing to contribute to or exiting your account may have on your benefits, before making any decision.

* The SG rate is 9.5% for the 2019/20 financial year and is proposed to gradually increase to 12% in coming years.

# Voluntary contributions

## After tax (non-concessional) contributions

You can generally choose to make contributions to super from your after-tax income. These are called non-concessional contributions and include personal contributions and spouse contributions. If you make spouse contributions, you may be able to claim a tax offset for some or all of your contributions, depending on the annual income of your spouse. Please visit **ato.gov.au** or contact the Australian Taxation Office for information about the tax offset.

**WARNING:** In order for us to be able to accept your non-concessional contributions, you must provide your tax file number to us. It is not compulsory to provide your super fund with your Tax File Number, but if you don't provide it, we are unable to accept any non-concessional contributions to your account. Any contributions that ESSSuper cannot accept will be refunded to the remitter within 30 days. Before making non-concessional contributions, you should be aware of Federal Government set contribution caps on the amount you can contribute before tax applies. Any non-concessional contributions to a defined benefit fund are also included towards these caps.

If you make non-concessional contributions and you are earning less than $53,564* per annum, you may be eligible to receive a contribution of up to $500 from the Government (see 'Government co-contribution' on page 5).

* This threshold is for contributions made between 1 July 2019 and 30 June 2020 and may change for future years.

To commence non-concessional contributions on a regular basis from your pay, complete the *Regular contributions form (ES151)* and forward it to your employer. To make a lump sum contribution, complete the *Lump sum contribution form (E114)*. Both forms are available from our website at **esssuper.com.au/forms**

BPAY

You can make personal and spouse contributions by BPAY. We will provide the Biller Code and your Customer Reference Number in your welcome letter when you join the Accumulation Plan. You can also view this information in Members Online or you can call the Member Service Centre.

### Cap on non-concessional contributions

The Government has currently set a cap, called the non-concessional contributions cap, on the amount of non-concessional contributions you can make in a financial year (i.e. 1 July to 30 June) before additional tax applies. You can contribute a maximum of $100,000 a year if you are aged between 65 and 74, and meet the work test*. If you have a total superannuation balance of $1.6 million or more at 30 June of the previous financial year, your non-concessional contributions cap is zero and any non-concessional contributions you make will be subject to excess non-concessional contributions tax and taxed at the highest marginal tax rate. If you are under age 65 at 1 July of the financial year, you may be able to contribute up to three times the annual non-concessional contribution cap under a 'bring forward' arrangement. The non-concessional cap you can bring forward and whether you can bring forward two or three years worth of non-concessional contributions depends on your Total Super Balance. These conditions are outlined in the table below.

| Total Super Balance as at 30 June 2019 | First year non-concessional contribution cap | Period brought forward |
|---|---|---|
| Less than $1.4 million | $300,000 | 3 years |
| $1.4 million to less than $1.5 million | $200,000 | 2 years |
| $1.5 million to less than $1.6 million | $100,000 | Nil |
| $1.6 million | Nil | Nil |

* Work test: Individuals aged 65-74 must have worked at least 40 hours in not more than 30 consecutive days in the financial year that the contribution is made. Note that you may be able to make voluntary contributions for a 12 month period, without having to meet the work test if you are eligible for the work test exemption.

The three-year period starts with the year that you first contribute more than the non-concessional contributions cap and your contributions must not exceed a maximum of $300,000 over a period of three years. The Government co-contribution is not counted towards the non-concessional contributions cap, however spouse contributions count towards the spouse's non-concessional cap.

The cap is applied per person, not per super fund. This means if you have more than one super fund, all non-concessional contributions made to all of your funds (including any defined benefit funds) are added together and count towards the same cap. If you exceed the cap, any non-concessional contributions above the cap will be taxed at 47% (including Medicare levy of 2%). For more information about tax on contributions see the *How super is taxed guide (AP.4)* on our website at **esssuper.com.au/pds**

## Work Test Exemption

From 1 July 2019, individuals aged 65-74 may be eligible to make voluntary contributions for a 12 month period, without having to meet the Work Test.

To be eligible, you would need to meet the following criteria:

- Satisfied the Work Test in the financial year prior to the year you make a contribution, and
- Have a Total Super Balance below $300,000 at the end of the previous financial year, and
- Have not made contributions under this exemption measure previously.

## Downsizing Contributions

If you are aged 65 or over, you can contribute up to $300,000 to your super from selling your main residence. Couples who own the same home can contribute a total of up to $600,000, even if both names are not on the title. You can make more than one downsizer contribution, however it can only be from the proceeds of a single main residence and cannot exceed $300,000 in total.

Downsizer contributions do not count towards your non-concessional contribution cap, nor do you have to meet the work test# to make a contribution. Individuals with a Total Super Balance greater than $1.6 million and those aged 75 and over will also have their after-tax contribution restrictions lifted when participating in this scheme.

## Where can you find out more?

Please refer to our factsheet *Downsizing contributions into superannuation* for more information. This is available on our website at **esssuper.com.au/publications**

You can also check the ATO website at ato.gov.au/downsizing to determine if participating in this scheme is the best option for you.

# Work test: The recipient of the contribution must have worked at least 40 hours in not more than 30 consecutive days in the financial year that the contribution is made.

## Before tax (concessional) contributions

You may be able to arrange for your employer to deduct an amount from your before tax salary and contribute it to your super account. This is known as a salary sacrifice arrangement. Contributions made from your before tax income, including salary sacrifice contributions and SG contributions and other contributions made by your employer, are called concessional contributions. Any personal contributions for which you claim a tax deduction (e.g. contributions by self-employed persons) are also concessional contributions (see 'Personal tax deductible contributions' on page 4).

**WARNING:** It is not compulsory to provide your super fund with your Tax File Number, but if you don't provide it, concessional contributions will be taxed at the top marginal rate of 47% (including Medicare levy of 2%). Before making concessional contributions, you should be aware of government set contribution caps on the amount you can contribute before higher tax may apply. Any concessional contributions to a defined benefit fund are also included in these caps.

Salary sacrifice contributions are reportable employer superannuation contributions and will affect the income tests for some tax offsets, deductions, concessions, the Medicare levy surcharge, and certain government benefits and obligations (see 'Reportable employer superannuation contributions' on page 6). Benefits such as compulsory employer super contributions, which are based on your actual salary level, may also be reduced under a salary sacrifice arrangement unless you have a written agreement with your employer that specifies how these payments will be calculated.

To commence salary sacrifice contributions, complete the *Regular contributions form (ES151)* and forward it to your employer. Or if you are employed by the Department of Education and Early Childhood Development as a school-based staff member or principal, you need to complete the SmartSalary forms instead. Forms are available at **esssuper.com.au/forms**

> **Note:** Try our salary sacrifice calculator available on our website at **esssuper.com.au/calculator** to see if salary sacrificing may be beneficial to you.

### Cap on concessional contributions

The Government has set a cap called the concessional contributions cap on the amount of concessional contributions you can make in a financial year (i.e. 1 July to 30 June) that are taxed on a concessional basis. For the 2019/20 financial year, you can contribute a maximum of $25,000*. Additional tax applies to concessional contributions made above the concessional contributions cap. The cap is applied once per person, not per super fund. This means if you have more than one super fund, all concessional contributions made to all of your funds (including employer and salary sacrifice contributions to a defined benefit fund) within a financial year are added together and count towards the same cap. If you have a Total Super Balance of less than $500,000, you will be able to access the unused portion of your concessional contribution cap to make additional concessional contributions. You'll be able to carry forward any unused concessional contributions on a rolling basis for a period of 5 years. Any portion of the concessional contributions cap not used after 5 years will expire. Excess concessional contributions over the above caps will be taxed at your marginal rate (plus the excess concessional contributions charge). You may be able to elect to release up to 85% of your excess concessional contributions from the fund.

Excess concessional contributions will be deemed to be non-concessional contributions and count towards the non-concessional caps.

For information about tax on contributions see the *How super is taxed guide (AP.4)* on our website at **esssuper.com.au/pds**

* This threshold is for contributions made between 1 July 2019 and 30 June 2020 and may change for future years.

## Personal tax deductible contributions

If you are under age 75 you will be entitled to claim a tax deduction on your personal superannuation contributions. If you claim a tax deduction for your personal super contributions, ESSSuper is required to deduct 15% tax from those contributions (additional tax may apply if you earn over $250,000 a year – see the *How super is taxed guide (AP.4)* on our website at **esssuper.com.au/pds**

If you intend to claim a tax deduction for your personal contributions to the Accumulation Plan, you must complete the *Claiming or varying a tax deduction for personal super contributions for Accumulation Plan Members (ES156)* available from our website at **esssuper.com.au/forms** and lodge the form with ESSSuper. You must lodge your request by the earlier of:

- the date you lodge your tax return
- the end of the financial year after the contribution is made
- the date you withdraw your super from ESSSuper or start a pension, or
- the date you split contributions with your spouse.

> **Note:**
> To calculate your concessional contributions to your defined benefit fund (also called 'notional taxed contributions'), you can use the concessional contributions calculator available at our website **esssuper.com.au/calculator** or call our Member Service Centre.

# What contributions can we accept?

There are rules regarding when you and your employer can contribute to your super and the types of contributions that can be made, which depend on your age and employment status (see table below).

| Type of contribution | Under 65 | 65-69 | 70-74 | 75 and over |
|---|---|---|---|---|
| Employer SG contributions | Yes | Yes | Yes | Yes |
| Other compulsory employer contributions (e.g. Award) | Yes | Yes | Yes | Yes |
| Voluntary employer contributions (contributions not required under SG or mandated under an award or agreement) | Yes | Subject to work test* | Subject to work test* | No |
| Personal non-concessional contributions | Yes | Subject to work test* | Subject to work test* | No |
| Personal tax deductible contributions | Yes | Subject to work test* | Subject to work test* | No |
| Salary sacrifice contributions | Yes | Subject to work test* | Subject to work test* | No |
| Spouse contributions | Yes | Subject to work test* | No | No |
| Contributions split with your spouse (see 'Splitting contributions with your spouse' on page 6) | Yes | No | No | No |
| Rollovers and transfers from other funds | Yes | Yes | Yes | Yes |
| Downsizing contributions | No | Yes | Yes | Yes |

* Work test: Individuals aged 65-74 must have worked at least 40 hours in not more than 30 consecutive days in the financial year that the contribution is made. Note that you may be able to make voluntary contributions for a 12 month period without having to meet the work test if you are eligible for the work test exemption.

# Government co-contribution

You may be eligible to receive a super co-contribution from the Government if you satisfy the following conditions:

- your taxable income is less than $53,564*
- you made non-concessional contributions to super in the financial year (this excludes any personal super contributions you have claimed a tax deduction for)
- you have not exceeded the non-concessional contributions cap
- your Total Super Balance at 30 June of the previous financial year did not exceed $1.6 million.

If you make non-concessional contributions to super and your total taxable income is less than $53,564* per annum, you may be eligible to receive a super co-contribution from the Government. If you are eligible, for each $1 you contribute to superannuation, you will receive a super co-contribution of $0.50, up to a maximum co-contribution of $500.

To receive the maximum amount of $500, you need to have contributed $1,000 of personal non-concessional contributions and your taxable income must be $38,564* per annum or less. If your taxable income is between $38,564* and $53,564* per annum, the maximum co-contribution reduces for every dollar of income higher than $38,564*. If your taxable income is $53,564* per annum or more, you are not eligible for the Government co-contribution. For more information about the co-contribution please visit **ato.gov.au**

* These thresholds are for contributions made between 1 July 2019 and 30 June 2020 and may change for future years.

# Reportable employer superannuation contributions

Some super contributions are 'reportable employer superannuation contributions' and will affect, among other things, income tests for some tax offsets, deductions, concessions, the Medicare levy surcharge, and certain government benefits and obligations.

Your reportable employer superannuation contributions are the sum of the following:

- any personal tax deductible contributions you have made
- any reportable employer superannuation contributions your employer may make for you. These are contributions that are additional to the compulsory contributions your employer must make under any of the following:
  - super guarantee law
  - an industrial agreement
  - the trust deed or governing rules of a super fund
  - a federal, state or territory law.

Reportable employer superannuation contributions include:

- contributions made under a salary sacrifice arrangement
- additional amounts paid by your employer to your super (for example, an annual bonus paid to super)
- increased employer super contributions you have negotiated as part of your salary package.

Employer SG contributions are not reportable employer superannuation contributions.

# Splitting contributions with your spouse

## What contributions can I split?

You may be able to split your concessional super contributions (e.g. employer and salary sacrifice contributions) with your spouse (including your de facto partner) and transfer them to an account in your spouse's name. You can only apply to split contributions if your spouse is either:

- less than their preservation age (see 'Preservation') or
- between their preservation age and age 64 (inclusive) and not retired.

You can apply to split contributions made by you or for you in the financial year immediately after the financial year the contributions were made or in the year in which the contributions were made if the entire account is being rolled over, transferred or withdrawn in that year. Only one application can be made to split the applicable contributions for the financial year and any application to split is irrevocable.

## How much can I split?

The maximum amount that can be split is the lesser of:

- 85% of your total concessional contributions to the Accumulation Plan*, and
- the concessional contributions cap (see page 3).

* The 85% maximum allows for the deduction of 15% contributions tax.

## How do I split contributions?

To split your contributions, complete the *Application for contribution split form (ES112)* available from our website at **esssuper.com.au/forms**

# First Home Super Saver Scheme

Voluntary contributions to superannuation made through the First Home Super Saver Scheme by first home buyers can be withdrawn for a first home deposit, along with deemed earnings calculated by the Australian Taxation Office (ATO). These contributions can be pre-tax, for example salary sacrifice, or post-tax contributions. Superannuation Guarantee (SG) contributions made by an employer cannot be released under this measure, only voluntary contributions made by a member. Although the Scheme does not allow for the release of contributions made to Defined Benefit Funds, Defined Benefit Fund members are eligible to make voluntary contributions to an Accumulation Plan.

To be eligible, you must be aged 18 years or over and have not previously owned property in Australia. You need to occupy the property for at least 6 of the first 12 months after purchase, or after it's been built. If you don't end up purchasing a property, you can return the funds to your super as a non-concessional contribution within 12 months. If you keep the money, this would incur a tax penalty of 20%, which effectively negates any savings advantage.

Up to $15,000 per year and $30,000 in total can be contributed, within existing contribution caps. Currently, the concessional contribution cap is $25,000 and the non-concessional contribution cap is $100,000. It is important to note that any contributions made under this scheme, and any other contributions made to super by you or your employer all count towards these existing contribution caps.

In order to withdraw these funds, you will need to apply to the ATO first. The ATO will instruct ESSSuper how much can be released for a deposit.

Please refer to our *First Home Super Saver Scheme* factsheet available from our website at **esssuper.com.au/publications**, for more information.

# Preservation

All contributions to super on or after 1 July 1999 are generally preserved in the super system until you have reached your preservation age and are permanently retired or have met another condition of release. There are some circumstances where you may be able to access your super before retirement. For more information about your preservation age and accessing your super, refer to the *Accessing your super guide (AP.6)* on our website at **esssuper.com.au/pds**

# Combining multiple super accounts

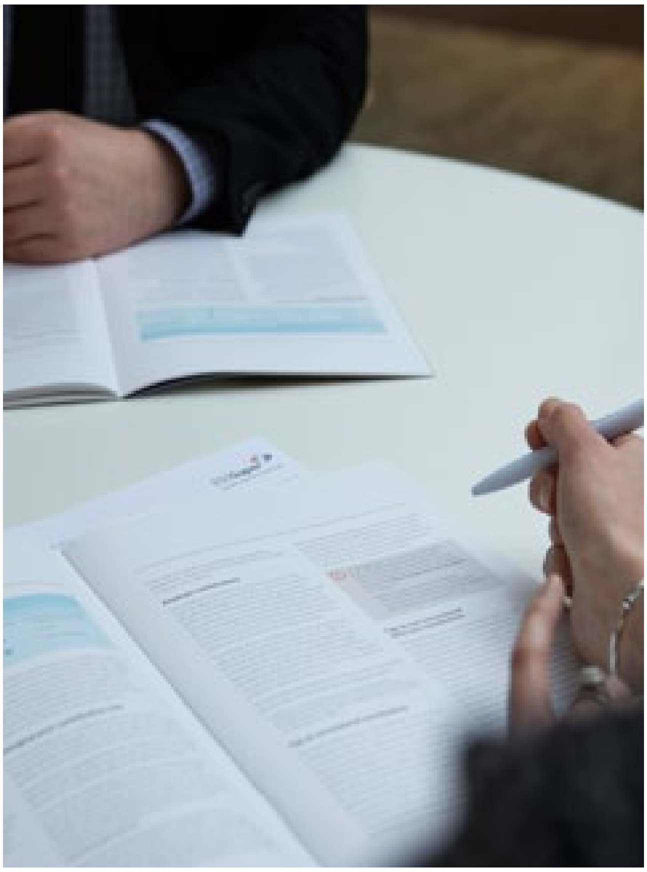
If you have money invested in more than one super fund, you can combine your super into your Accumulation Plan account which will reduce the amount of paperwork you receive and may help you to save on fees. To rollover super from other funds, simply log into Members Online at **esssuper.com.au/login** and follow the prompts to provide consent for us to do a Super Search through the Australian Tax Office. If we find other super on your behalf, you can view our search results and choose to roll in some or all of your other super accounts using Members Online without having to complete any paper forms. We'll organise the rollover for you. You should check any relevant exit fees you may incur, any insurance arrangements that may be forfeited, and any other effects this transfer may have on your benefits, before rolling your money into our fund.

## Need help with your super?

- visit **esssuper.com.au** for tips, tools and calculators
- book in for a free super seminar – online at **esssuper.com.au/seminar**
- call our Member Service Centre on 1300 650 161
- call us to arrange an appointment with a Member Education Consultant
- if you want personal financial advice tailored to your individual circumstances, we can arrange a referral to a licensed financial adviser that charges on a fee-for-service basis (commission free). ESSSuper has an arrangement with Link Advice Pty Ltd for Link Advice and its authorised representatives to provide members with financial advice under Link Advice's Australian Financial Services Licence (No. 258145). Appointments are located at ESSSuper's office.

ESSSuper Financial Advisers are authorised representatives of Link Advice Pty Ltd ( Link Advice). Link Advice holds a current Australian Financial Services Licence No. 258145 and is responsible for the financial services provided to you by it or its authorised representatives.

ESSSuper has an arrangement with Link Advice Pty Ltd to provide financial advice to ESSSuper members. ESSSuper pays Link Advice a fee for this service. Neither the Board, nor the Victorian Government, guarantee or endorse any recommendations made by Link Advice or its authorised representatives, or are responsible for the advice and actions of Link Advice or its authorised representatives.



# Proudly serving our members

Level 16, 140 William Street
Melbourne VIC 3000

GPO Box 1974
Melbourne VIC 3001

T 1300 650 161 for emergency services members
1300 655 476 for state super members

E info@esssuper.com.au
W esssuper.com.au

facebook.com/ESSSuper

linkedin.com/ESSSuper

twitter.com/ESSSuper