

Super Facts

Concessional Contributions – Division 2

(Former Australian Airlines Flight Attendants Superannuation Scheme (AAFASS) members)

From 1 July 2007 the Government introduced significant changes to superannuation, known as Simplified Super. Details of these changes were provided to members in the Simplified Super brochure and on the Plan's website. Further changes were announced in the 2009 budget. This document includes these announcements which are expected to apply from 1 July 2009.

Concessional Contributions Caps

Concessional contributions are those contributions that are made for you by the Company from pre-tax salary. They include Company contributions, superannuation guarantee contributions, voluntary Salary Sacrifice contributions and for some Divisions Notional Taxed Contributions (NTCs).

From 1 July 2009 the Government intends to reduce the concessional contributions caps to:

- \$25,000 for 2009/10; or
- \$50,000 for members over age 50.

It is expected that the new cap of \$25,000 will be indexed in future years. The cap for members over age 50 is a transitional cap which will not be indexed and will cease after 30 June 2012.

Contributions which are included

There are three types of company contributions that count towards the concessional contribution limit. There are:

1. your "Notional Taxed Contributions" which represent the other contributions made by the Company in respect of your other benefits including the AAFASS minimum benefits.
2. Any Voluntary Salary Sacrifice contributions;
3. Any other concessional contributions.

The contributions and benefits vary between Plan Divisions. If you change employment classification or move between Divisions, different contributions may be counted against your Concessional Contributions Caps.

Notional Taxed Contributions (NTC)

The NTC represents the "contribution" that is deemed to have been made by the Company to provide defined benefits or other benefits to employees. **The NTC is a government prescribed formula as calculated by the Actuary.**

In any financial year, the NTC is determined as follows:

NTC	=	$1.2 \times (\text{NCR} \times \text{Superannuation Salary less actual Member Contributions})$
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Superannuation Salary is that which applied at the start of the financial year (ie 1 July);

Member Contributions are the non-concessional contributions made from after-tax salary to support the defined benefits during the year (excluding any Member Contributions made by Salary Sacrifice); and

NCR is the Notional Contribution Rate for the relevant benefit class. For Division 2 Former AAFASS members, the NCR is 11%.

Adjustments are made in certain circumstances. For example, if members work part time, cease employment or transfer between Divisions.

It is important to note that these calculations are based on the current interpretation of the Regulations by the Plan Actuary. If the Regulations or the agreed interpretation of the Regulations by Treasury or the Australian Tax Office change then these NCRs may need to be recalculated.

Grandfathering of NTCs

For members of Defined Benefit divisions, grandfathering provisions will continue to apply. This means your NTCs will be capped at the Concessional Contribution Cap applicable to your age (even if the NTC formula produces a higher amount) and you will not have to pay excess tax on these contributions.

For example, your NTCs are equal to \$30,000 and your limit is only \$25,000, the NTCs will be set to \$25,000 (and no additional tax will be payable on the extra \$5,000). However, in this example, if you have other employer related Concessional Contributions (e.g. Productivity Contributions) or you made any Salary Sacrifice contributions, you would exceed your limit and subsequently pay tax on those contributions.

Tax on Excess Contributions

If contributions are made which exceed these caps an additional 31.5% contributions tax will apply, which will bring the total contributions tax to 46.5%. You should note that this additional tax is payable by you, not by the Plan.

If you make concessional contributions to other superannuation arrangements, then these contributions are added to your concessional contributions to the Plan to assess whether excess contributions have been made.

Calculating your annual Concessional Contributions

Your annual concessional contributions can be estimated each year.

It is not possible to calculate this accurately until the end of the financial year, as your actual contributions have not been received by the Plan.

Example 1

A Division 2 Former AAFASS Member under age 50 with a Superannuation Salary of \$100,000 who is expected to have the following contributions (in addition to Productivity contributions and contributions to the Company Account) made during the year:

\$5,000 voluntary Salary Sacrifice contributions

\$5,000 after-tax Member Contributions

For this member the concessional contributions for the year will be approximately:

Notional Taxed Contributions $1.2 \times (11\% \times \$100,000 - \$5,000)$	\$7,200
Voluntary Salary Sacrifice Contributions	\$5,000
Other concessional contributions	Nil
Total Expected Concessional Contributions	\$12,200

Example 2

A Division 2 Former AAFASS Member over age 50 with a Superannuation Salary of \$130,000 wishes to increase her Salary Sacrifice contributions (from 1 April 2010 to 30 June 2010) so that she makes the maximum contribution. In this example, the member expects:

\$7,500 voluntary Salary Sacrifice Contributions to 31 March

\$6,500 after-tax Member Contributions for the entire year

For this member the concessional contributions for the year will be approximately:

Notional Taxed Contributions $1.2 \times (11\% \times \$130,000 - \$6,500)$	\$9,360
Voluntary Salary Sacrifice contributions to 31 March	\$7,500
Other concessional contributions	Nil
Total Expected Concessional Contributions	\$16,860

The maximum concessional contribution limit for this member is \$50,000 for the 2009/10 year, because she is over age 50.

The member may therefore make an additional \$33,140 in Salary Sacrifice contributions for the year, or \$11,047 per month in each of April, May and June.

Note that these calculations make assumptions about Member Contributions for the remainder of the year. If these vary (for example, as a result of a change in Superannuation Salary) then adjustments to these monthly Salary Sacrifice contribution amounts may need to be made.

Members should seek financial planning advice to assist them with these calculations taking account of her circumstances and to make the appropriate decisions regarding the level of contributions to superannuation.

DISCLAIMER

This information has been prepared to provide a summary of the superannuation changes for the Plan, and should be read in conjunction with the brochure describing the general Simplified Super changes for the Plan. They do not represent advice, nor do they provide full details of items that are not relevant to the Plan. It should not be relied on to make financial decisions, nor should it replace advice from a suitable qualified financial advisor.