

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
ADDITIONAL BUDGET ESTIMATES 2011-2012

Finance and Deregulation Portfolio

Department/Agency: Department of Finance and Deregulation

Outcome/Program: 1 / 1.2

Topic: Application of the Concessional Contribution Caps to the Commonwealth Superannuation scheme (CSS) and Public Sector Superannuation scheme (PSS).

Senator: Bushby

Question reference number: F117

Type of question: Written

Date set by the committee for the return of answer: Friday, 30 March 2012

Number of pages: 1

Question:

- a) In relation to public servants in the CSS and PSS superannuation schemes - are there any caps on notional government contributions on behalf of employees, and how do these operate? (For example, a public servant on say \$300,000 receives a notional super contribution of 30pc of salary, which makes for a contribution of about \$90,000 pa, yet the cap for working Australians is 25k or 50 k.)
- b) Is it correct to say that the said public servant can in addition contribute either 25 or 50 k as part of salary sacrifice?

Answer:

- a) For defined benefit schemes, such as the CSS and PSS where the whole, or part of the defined benefit is not funded, then the notional taxed contributions for that unfunded component is nil for the purposes of the caps on concessional superannuation contributions. However, the unfunded component of CSS and PSS pensions when paid are subject to different taxation arrangements to benefits paid from a source subject to tax. When paid as a pension they are taxed at marginal rates and receive a tax offset of 10 per cent of the total taxable part of the pension where the recipient is over age 60 rather than being tax free which applies to pensions paid from a taxed source. The funded employer productivity component of the defined benefit is counted towards the caps.
- b) CSS and PSS members can salary sacrifice to other funds if permitted by their employer. The amount that PSS or CSS members can salary sacrifice without breaching the cap is the difference between their relevant cap and the employer productivity contributions made to the CSS or PSS for the member. Employer productivity contributions are generally between 2 and 3 per cent of a member's superannuation salary.