

Top up your Super savings with salary sacrifice

What is salary sacrifice?

Salary sacrifice simply means asking your employer to put some of your gross salary into your superannuation fund. The amount you sacrifice into your super each pay period is before tax is deducted from your salary (pre-tax) rather than after (post-tax).

What are the benefits of salary sacrifice?

- You will not pay any income tax on the amount you choose to salary sacrifice. All superannuation contributions are taxed at 15% rather than the income tax rate.
- Your remaining gross income may be taxed less as your salary is reduced for income tax purposes and you can potentially fall into a lower income tax bracket.
- Salary sacrifice contributions paid into your super are not subject to Fringe Benefits Tax (FBT).

How salary sacrifice works

Example 1* - making a super contribution from your net (post tax) salary

In this example we assume you earn \$40,000 and make a \$3,000 contribution to your super fund after tax – from your net salary.

Gross salary	\$40,000
Less tax	\$6,000
Take home pay (net salary)	\$34,000
Less contribution into super	\$3,000
New take home pay (net salary)	\$31,000

Example 2* - making a super contribution from your gross salary (salary sacrifice)

In this example we assume the same salary and superannuation contribution, although this time the super contribution is a salary sacrifice contribution.

The tax advantages of making a salary sacrifice contribution are shown in the example below:

Gross salary	\$40,000
Less salary sacrifice	\$3,000
Adjusted gross salary	\$37,000
Less tax	\$5,100
Take home pay (net salary)	\$31,900
Advantage - annual saving	\$900

*Important: This information is a general nature only. It does not take into account your particular financial needs, objective or circumstances, nor does it take into account Medicare levy or tax off-sets. You should assess your own financial situation and read HIP's Member Information booklet – Product Disclosure Statement (PDS) before making a decision about investing your superannuation. You may need to seek professional advice from a qualified financial planner.

Other examples of salary sacrifice*

Your gross salary	Your salary sacrifice	Your adjusted gross salary	Income tax payable*	Your net salary	Your annual saving
\$30,000	\$3,000	\$27,000	\$4,050	\$22,950	\$450
\$40,000	\$3,000	\$37,000	\$5,100	\$31,900	\$900
\$50,000	\$3,000	\$47,000	\$8,100	\$38,900	\$900
\$60,000	\$3,000	\$57,000	\$11,100	\$45,900	\$900

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How much can I salary sacrifice?

From 1 July 2007, the age based limits on salary sacrifice were abolished and employers/self employed people will be able to claim a full tax deduction for their super contributions.

However:

- These contributions (and certain other amounts) will count towards a 'concessional contributions cap' of \$50,000 pa or, if aged 50 or over \$100,000 until 30 June 2012.
- Contributions exceeding this 'concessional contributions cap' will be taxed a penalty rate of 31.5% (in addition to the 15% contribution tax).

Age	Concessional contribution cap
Age less than 50	\$50,000
Age 50 to 64	\$100,000
Age 65 to 74	\$100,000
Age 75 and over	Mandated contributions only

If you would like a greater net gain, all you have to do is increase the amount you sacrifice – the more you invest, the more you accumulate for retirement. However, you should consider the following points:

1. Your employer may also reduce the Superannuation Guarantee that they pay- check with your payroll officer.
2. Depending on your income, it may be beneficial to make post-tax contributions and receive the Government co-contribution. See www.ato.gov.au/super.

How do I salary sacrifice?

Talk to your employer. They will let you know whether they will allow you to make salary sacrifice contributions. Contact our customer service team on 1300 654 099 for a salary sacrifice form to complete and return to your employer.

To help you work out how much money to contribute to use the specific salary sacrifice calculator on our website.

HIP contact details:

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