

## Super and Salary Sacrifice

### What is salary sacrifice?

Known as 'concessional contributions', salary sacrifice allows you to make super contributions before income tax is paid- which can be up to 45.5% of your salary. It may save you paying some tax as well as grow your super. The higher your income the more you may save.

### What are the benefits of salary sacrifice?

- Income that you salary sacrifice into super is only taxed at 15%. This is less than the marginal income tax rate for most people:

Taxable Income (2010/11) rate	Marginal tax Rate (above lower threshold)	Super contributions tax rate
\$ 37,001-\$80,000	30%	15%
\$ 80,001-\$180,000	37%	15%
\$180,001+	45%	15%

- 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).

### Are there limits?

If you are aged under 50 the limit is \$25,000 pa. Over 50 this increases to \$50,000 pa. If you exceed the limit any additional amount will be taxed at a rate of 31.5% plus the 15% contributions tax. The extra amount will also be included in your limit for after tax contributions (see HIP's fact sheet on after tax contributions).

### How salary sacrifice works

**Example: Jane earns \$65,000 gross salary per annum. She wants to make a \$5000 contribution to her super boost her super savings. Below shows the difference between making this through a salary sacrifice arrangement or using her net pay to make an after tax contribution.**

Annual Salary	Salary Sacrifice Contribution	After Tax Contribution
Gross Salary	\$65,000.00	\$65,000
Salary Sacrifice	\$ 5,882.35*	-
Taxable Income	\$59,117.65	\$65,000
PAYG Tax	\$14,025.00	\$12,172.05
After Tax Contribution	-	\$ 5,000.00
Annual SG contribution	\$ 5,850.00	\$ 5,850.00
Contributions Tax	\$ 1,759.85	\$ 877.50
Net super contributions	\$ 9,972.50	\$ 9,972.50
<b>Net Take home pay</b>	<b>\$56,918.10</b>	<b>\$55,947.50</b>
<b>Additional net pay</b>	<b>\$ 969.60</b>	

\*To deposit \$5000 into super Jane needs to also allow for the 15% tax that she must pay on concessional contributions

\*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. Refer to the HIP calculators for explanation of calculations.

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. Some employers may also reduce the Superannuation Guarantee that they pay- check with your payroll.
2. Depending on your income, it may be beneficial to also consider making post-tax contributions and receive the Government co-contribution. See [www.ato.gov.au/super](http://www.ato.gov.au/super).

## How do you 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. Or your payroll office may have a form ready for you to use.

To help you work out how much money to contribute to use the specific salary sacrifice calculator on our website [www.hipsuper.com.au](http://www.hipsuper.com.au).

### HIP contact details:

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**Important** This fact sheet has been prepared by the Trustee of Private hospitals Superannuation Pty Ltd, Health Industry Plan ABN 59 006 792 749, AFSL 247063, RSE L0001533. It is believed to be correct at the date of compilation; however, we do not guarantee its accuracy. This information is general only. You should not make any financial decision on the basis of this information without first talking to a financial advisor about your own personal financial situation, objectives and needs. Get all the facts from [www.hipsuper.com.au](http://www.hipsuper.com.au).