

Member Super Facts

July 2011

Salary sacrifice



did you know?

Salary sacrifice is an arrangement between you and your employer in which you agree to forego ('sacrifice') part of your future pre-tax salary in return for your employer providing other benefits of a similar value. One such benefit could be pre-tax contributions to your super – possibly allowing you to save more for retirement while, in many cases, paying less tax.



Information helpline

For more information on CareSuper or super-related topics call the CareSuperLine on **1300 360 149**, email admin@caresuper.com.au or visit caresuper.com.au
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Disclaimer

The advice in this document is of a general nature. We have not taken into account your particular financial needs, circumstances and objectives. We recommend you read the product disclosure statement, assess your own financial situation and seek professional advice from a licensed financial adviser before deciding to make any decisions related to your super. While every care has been taken as to the accuracy of this information, CareSuper takes no liability for the correctness of this information. CareSuper is not responsible for any loss, direct or indirect, resulting from reliance of the information contained in this document.

The information in this fact sheet relates to the 2011/12 financial year only.

Why would I salary sacrifice to super?

Because the tax you pay on salary sacrifice contributions (15%) is lower than many people's marginal tax rates, you may be able to achieve significant tax savings. See below for the possible tax savings, based on the tax scales at 1 July 2011.

Taxable income 2011/12	Marginal tax rate*	Salary sacrifice (contribution tax rate)**	Tax saving achieved*
\$6001–\$37,000	15%	15%	Nil
\$37,001–\$80,000	30%	15%	15%
\$80,001–\$180,000	37%	15%	22%
\$180,001 and over	45%	15%	30%

Source: www.ato.gov.au

* Tax rates exclude the 1.5% medicare levy and the flood levy

**Subject to total concessional contribution limits (see below)

The 15% contributions tax applies to contributions up to the concessional cap. The cap varies according to age:

- Under 50 years of age – maximum is \$25,000 p.a. (for 2011/12 – indexed annually)
- 50 years of age or over (until 30 June 2012) – maximum transitional cap is \$50,000 p.a.

If you contribute more than this, your concessional contributions will be taxed at the rate of 31.5%.

Concessional contributions include both SG and any additional employer contributions (e.g. employer paid insurance premiums).

Any contributions over the caps count towards the non-concessional (after-tax) contributions cap.

Can I salary sacrifice?

Salary sacrifice options are provided by your employer. You will need to check your employment arrangements.

How much can I salary sacrifice?

This will depend on the particular arrangements your employer offers. There are, however, limits on the amount you can sacrifice at the concessional tax rates. (See above.)

How is my super guarantee affected?

Whether your employer calculates your super guarantee on your reduced (post-sacrifice salary) or total salary will depend on your personal salary sacrifice agreement with them. It is important for you to understand which method they use before making contributions.

Need help deciding to salary sacrifice?

CareSuper members have access to free, over-the-phone, super-related advice from a qualified financial planner. Financial planning is offered through CareSuper's relationship with Industry Fund Financial Planning, a division of Industry Fund Services Pty Ltd (IFS), ABN 54 007 016 195, AFSL 232514. Advice is provided under the authority of the IFS licence. Call the CareSuperLine on **1300 360 149** for more details.

What is the impact on my super and my take-home pay?

See the table below for an example of how salary sacrifice works based on the 2011/12 tax rates.

Joe is 40 years old and wants to contribute \$2000 p.a. into his super fund in a tax effective way. By salary sacrificing, he adds to his super, pays less tax and keeps more of his take-home pay!

The example is indicative only. Results will vary depending on your personal circumstances. Use the salary sacrifice calculator on caresuper.com.au to help decide if salary sacrifice is right for your circumstances.

	Current – no super contributions	Making voluntary (post-tax) contributions to achieve \$2000 per annum increase in super	Making salary sacrifice contributions to achieve \$2000 per annum increase in super
Gross income	\$70,000	\$70,000	\$70,000
Salary sacrifice to super	\$–	\$–	\$2,353
Taxable income	\$70,000	\$70,000	\$67,647
Tax payable incl. Medicare and flood levies	\$15,700	\$15,700	\$14,947
After-tax super contributions	\$–	\$2,000	\$–
Total take-home pay	\$54,300	\$52,300	\$52,700
Contributions tax	\$–	\$–	\$353*
Total tax paid (incl. Medicare and flood levies)	\$15,700	\$15,700	\$15,512
Total after-tax super contributions	\$–	\$2,000	\$2,000

* The contributions tax of 15% is deducted from the salary sacrifice amount and payable from the super fund.