

Salary sacrifice



MEMBER SUPER FACTS

What is salary sacrifice?

Salary sacrifice is an arrangement between you and your employer in which you agree to forego (or 'sacrifice') part of your pre-tax salary to contribute to your super.

The amount sacrificed is paid directly into your CARE Super account by your employer before tax is deducted. This reduces your gross (taxable) salary, which means that in most cases, you will pay less tax, while saving more for your retirement.

Can I make salary sacrifice contributions?

Most employees can salary sacrifice. Salary sacrifice requires you to have a formal agreement with your employer, which sets out the amount of your salary (in \$ or %) you wish to sacrifice, and whether your employer's

SG contributions are included or in addition to the salary sacrifice amount. If you are not sure of your options under your employment conditions, check with your employer.

How much can I salary sacrifice?

This will depend on your employment conditions. The amount you can salary sacrifice at the concessional tax rate is capped depending on your age (see right), therefore you should consider all applicable taxes as this may help you decide how much you salary sacrifice to super.

How are salary sacrifice contributions taxed?

When your salary sacrifice contribution is paid into CARE Super, it will be treated as an employer contribution and subject to a 15% contributions tax.

If you contribute over the following concessional contribution caps:

- under 50 years of age — maximum is \$50,000 p.a. (for 2007/08)*
- 50 years of age or over (until 30 June 2012) — maximum is \$100,000 p.a.

your excess contributions will be taxed at the top marginal tax rate plus Medicare levy, which is currently 46.5%. Any excess over the concessional cap counts towards the non-concessional (after-tax) contributions cap. This means you can be taxed twice at 46.5% — that's double tax!

If you withdraw your super after age 60 you won't have to pay any additional tax.

*The cap is indexed annually to average weekly ordinary times earnings.

Need help deciding whether to salary sacrifice?

CARE Super members have access to dedicated financial planning services through our Melbourne, Sydney and Brisbane offices, to help with a range of super decisions, including contribution strategies. Call the CARE SuperLine **1300 360 149** to make an appointment.

Salary sacrifice can be a great way to minimise tax and maximise super, without hurting your pocket

What is the impact on my take home pay?

Because the tax you pay on salary sacrifice contributions (15%) is lower than most people's marginal tax rates, significant tax savings can be achieved through salary sacrifice. Take a look at the tax savings you can achieve, based on the tax scales as at 1 July 2007:

Taxable income	Marginal tax rate (excluding 1.5% Medicare levy)	Salary sacrifice (contribution tax rate)*	Tax saving achieved (excluding 1.5% Medicare levy)
\$6,001–\$30,000	15%	15%	Nil
\$30,001–\$75,000	30%	15%	15%
\$75,001–\$150,000	40%	15%	25%
\$150,001 or more	45%	15%	30%

SOURCE: www.ato.gov.au *Subject to total concessional contribution limits (see above).

For example: your salary is \$70,000 and you want to contribute \$2,000 per year into your super, based on the tax scales as at 1 July 2007.

	Contribute \$2,000 after tax into super	Salary sacrifice \$2,000 into super
Gross income	\$70,000	\$70,000
– Salary sacrifice amount	\$0	\$2,000
= Taxable income	\$70,000	\$68,000
– Tax payable (inc. Medicare levy)	\$16,650	\$16,020
– After-tax super contribution	\$2,000	\$0
Take home pay	\$51,350	\$51,980
Contributions tax	\$0	\$300*
Total tax paid	\$16,650	\$16,320

*The contributions tax of 15% is deducted from the salary sacrifice amount and payable from the super fund. It does not affect your take home pay.

Did you know?

You may be able to use salary sacrifice as a way of reducing your taxable income to the co-contribution income threshold limit of \$58,980 — and coupled with personal (after-tax) contributions, you may then be eligible to receive a super co-contribution.

Need more information?

For more information on salary sacrifice or any other super related topics, contact the dedicated team of CARE Super consultants.

Call the CARE SuperLine on **1300 360 149**, email admin@caresuper.com.au or visit caresuper.com.au

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