

SALARY SACRIFICE

Paying into your super from your before-tax pay could be a tax-effective way to grow your retirement savings.

What is salary sacrifice?

Salary sacrifice is where you agree to receive part of your remuneration in some form other than salary. In the case of super, you could forego some of your before-tax pay and have your employer pay that amount directly into your LGIAsuper account.

By putting money into your super this way, you reduce your taxable income, accumulate more money for when you need it later in life and potentially take home more pay.

What are the tax savings?

Salary sacrificed super contributions are taxed at 15%, which is generally less than your marginal tax rate (which could be as high as 47% including the Medicare levy). This means money going into your super account from your before-tax pay is taxed less than it normally would be if paid to you as income. By salary sacrificing your super contributions from your before-tax pay you lower your taxable income and could bring home a little extra each pay day.

If your total annual income exceeds \$250,000, Division 293 tax of an additional 15% applies to any before-tax (concessional) super contributions. This means you pay 30% tax on concessional contributions instead of the standard 15%. See our *Superannuation tax info sheet* for more information.

What is the concessional contributions cap?

A concessional contribution is any money you and your employer pay in to your super and includes:

- all employer contributions regardless of the amount
- money put into your super through salary sacrifice
- any contributions claimed as a tax deduction

There is a limit to the amount of concessional contributions you and your employer can contribute to your super each year. Everyone has a concessional contributions cap of \$25,000 for the current financial year. If you exceed the cap you could pay higher tax. Read our *Contribution caps info sheet* for more information.

When deciding if salary sacrifice is right for you it's worth keeping in mind that if you are between 18 and 74, you could qualify to claim a tax deduction for any personal contributions you pay into super. These contributions count towards your concessional contributions cap. Read our *Tax deduction for personal contributions info sheet* for details.

Will my existing benefits be impacted?

It's important to check with your employer to determine if any employment benefits you currently receive that are based on your salary could be reduced under a salary sacrifice arrangement, including your employer's superannuation guarantee contributions. To protect your benefits, it's important you talk to your employer about the potential impact and get a detailed, written agreement in place that clearly shows how these payments will be calculated.

Fringe benefits tax

A before-tax super contribution isn't a fringe benefit and is not subject to fringe benefits tax. It will be reported on your PAYG payment summary as a reportable employer superannuation contribution and may impact your eligibility for government provided benefits.

Salary sacrifice and the super co-contribution

Salary sacrificed contributions do not qualify for the Australian Government's super co-contribution of up to \$500 each year. If your total annual income is less than \$52,697 and you meet other eligibility requirements it could be beneficial for you to make after-tax contributions instead of (or in addition to) salary sacrifice. See our *Super support for low and middle-income earners info sheet* for more information.

Important information if you work in local government

You can salary sacrifice any standard member contributions you are required to pay. You can also salary sacrifice extra amounts to your super. Keep in mind, salary sacrifice contributions count towards your annual concessional contributions cap, along with any money your employer contributes and any contributions you claim a tax deduction for.

A 15% contributions tax will be deducted from salary sacrifice contributions. To offset the contributions tax and maintain the same net amount that you add to super you will be required to increase your member contribution if you choose to make these through salary sacrifice. See the table (below).

LGIAsuper members who need to increase	Standard member contribution	Salary sacrifice standard member contribution
Brisbane City Council, Queensland Urban Utilities and other associated employees	5%	5.8825%
Defined Benefits Fund members	6%	7.05882%
Members with a Defined Benefit account (former City Super)	5%	5.8825%

For local government employees with an Accumulation account who are required to contribute 6%, the salary sacrifice contribution does not need to be increased. However, it's important to understand that if 6% is salary sacrificed, the net amount added to super will be reduced by the 15% contributions tax.

A little now could make a big difference

It's important to invest in your future and superannuation enjoys tax advantages that can make a considerable difference when you start saving. To see the difference a little extra into your super each pay can make to the amount you have when you retire, try our Retirement income calculator and Contributions optimiser, available from the [Resources section](#) of our website.

Any questions?

We're here to help. Our trusted and reliable team can work with you to grow your savings and plan a strong financial future. Call us on **1800 444 396** or visit our website at lgiasuper.com.au.

This info sheet has been produced by the LGIAsuper Trustee ABN 94 085 088 484 AFS Licence No. 230511 LGIAsuper ABN 23 053 121 564 for LGIAsuper members. It provides general information only and does not take into account your personal objectives, financial situation or needs. The Board recommends you consult with an authorised or licensed financial advisor if you require advice which takes into account your personal financial circumstances. LGIAsuper has representatives that are authorised to provide personal advice on LGIAsuper products and superannuation. Information on products offered by the Board can be found in our product disclosure statements.

T 1800 444 396
F 07 3244 4344

E info@lgiasuper.com.au
W lgiasuper.com.au

GPO Box 264
Brisbane Qld 4001

LGIAsuper Trustee ABN 94 085 088 484 AFS Licence No. 230511
LGIAsuper ABN 23 053 121 564