

# SUPERANNUATION FOR COUNCILLORS

**This info sheet reflects LGIAsuper's understanding of provisions of the Local Government Act 2009 and tax law. It does not apply to Brisbane City Council councillors or any other LGIAsuper member.**

## **Do councils pay superannuation for their councillors?**

Councillors are not always regarded as employees for taxation and superannuation purposes. This means a council is not always obliged to pay superannuation contributions for councillors.

However, where a council resolves unanimously to be an 'eligible local governing body' under the *Taxation Administration Act* councillors are regarded as employees and superannuation guarantee contributions (9.5% of ordinary time earnings) must be paid as a minimum. If a council has not resolved to be an eligible local governing body, it is up to the council to decide whether it will make super contributions for the councillor. A maximum contribution rate of 12% applies (see section 226 of the *Local Government Act 2009* for details).

Under advice from the Australian Taxation Office dated 13 August 2007, councillors may enter into agreements with councils to sacrifice some of their remuneration into super. Such contributions are treated the same way as employer contributions. This means they are taxed at 15% and count toward the concessional contributions cap.

## **Tax deduction for personal contributions**

Everyone under age 67 and those aged 67 to 74 who satisfy the work test can claim a tax deduction for their personal contributions. If you are between 67 and 74 and your total super balance is below \$300,000 you can contribute voluntary contributions (once only) from the end of the financial year in which you last met the work test. Personal contributions are made from after-tax money and can be paid as a lump sum or as a regular contribution. When claimed as a tax deduction they will count towards the concessional contributions cap and will be taxed at 15%. For more information visit our website or give us a call. Our *Tax deduction for personal contributions info sheet* has more information.

## **Salary sacrifice arrangements**

Under section 226(4) of the *Local Government Act 2009*, councillors can salary sacrifice part of councillor remuneration in pre-tax superannuation contributions. These salary sacrifice contributions are treated as employer contributions from the council.

For a salary sacrifice arrangement to be effective for taxation purposes, it must take the form of a written agreement that relates only to prospective earnings. If the agreement attempts to include income earned prior to the date of the agreement, it will be treated as ineffective and the income will be taxed as ordinary earnings.

### Seek professional help

We recommend councils seek professional help when determining the best strategies for superannuation and councillors.

### Any questions?

Our team of Relationship Managers are available to assist with any questions relating to council superannuation. They can also meet with Councillors to assist with all aspects of superannuation. Please call **1800 444 396** to arrange a meeting today.

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