

Salary sacrifice for superannuation

This fact sheet provides information on salary sacrifice contributions to superannuation for Northern Territory public sector employees. You can commence salary sacrifice contributions at any time by completing the *Salary Packaging for Superannuation Form* available from the HR page on the DCIS Intranet <http://uluru.nt.gov.au/dcis> or contact your payroll or personnel officer. Generally, your election will be effective from the next pay period. You can vary your contributions by advising the DCIS Salary Packaging unit in writing.

What is salary sacrifice for superannuation?

Salary sacrifice for superannuation allows you to contribute before-tax salary directly into a complying superannuation fund. Salary sacrifice is available to all employees in the Northern Territory public sector regardless of whether you are:

- a member of the Commonwealth Superannuation Scheme (CSS),
- a member of the Northern Territory Government and Public Authorities' Superannuation Scheme (NTGPASS), or
- in choice of fund arrangements where your superannuation guarantee (currently 9%) is paid to your nominated superannuation fund (for example, AGEST).

What are the benefits?

Salary sacrifice helps you to accumulate more savings for your retirement and, depending on your individual financial circumstances, may provide taxation benefits.

Salary sacrifice contributions to superannuation are known as **concessional contributions** and are taxed at 15%. In most cases where your marginal tax rate is greater than 15%, salary sacrifice will reduce your total tax payable. However contributions must remain in your superannuation fund until at least age 55 and may incur tax when you withdraw your benefit.

How much can I salary sacrifice?

There is a cap on the amount of concessional contributions that can be made to superannuation funds on behalf of an individual each financial year. Concessional contributions include salary sacrifice contributions, superannuation contributions made by your employer such as superannuation guarantee and contributions by the self-employed for which they can claim a tax deduction.

If you are under 50 years of age, you can have up to \$50 000 of concessional contributions made in your name in each financial year.

If you are aged 50 and above, transitional arrangements allow you to have up to \$100 000 of concessional contributions made in your name in each financial year until 30 June 2012. After this date, the \$50 000 cap will apply.

Concessional contributions in excess of the caps will have additional tax of 31.5% applied and the contribution will counted toward your non-concessional contribution cap. Contact the DCIS Salary Packaging unit for more information about the concessional contribution caps and how they will apply to your particular circumstances.

What can I salary sacrifice?

You can salary sacrifice a regular amount from your pay or a lump sum payment to superannuation arising from an employee entitlement, as long as the arrangement is in place before the accrual date of that entitlement. Entitlements that are not paid proportional or pro rata on resignation, eg recreation leave fares, retention bonuses etc can be salary sacrificed provided the application is made at least two months before the accrual date.

Where can I pay my salary sacrifice contributions?

CSS

The CSS does not accept salary sacrifice contributions. However, members who make a minimum of 5% after-tax contributions to CSS are eligible to make salary sacrifice contributions to a superannuation fund of their choice. The notional funding amount for the employer component of CSS benefits does not count towards the concessional cap which means that CSS members can salary sacrifice up to their age-based concessional contribution cap.

NTGPASS

NTGPASS members can salary sacrifice to NTGPASS or to a superannuation fund of their choice. However, to be eligible to salary sacrifice, members must make 6% after-tax contributions to NTGPASS. Members can increase their after-tax contributions to 6% at the 1 October review, prior to making a salary sacrifice application.

When determining how much to salary sacrifice, you need to take into account the notional funding amount for the employer component of your NTGPASS benefit as this amount counts towards your age-based concessional contribution cap. The notional employer funding amount is 8% of your NTGPASS contribution salary.

Choice of Fund

Employees who commenced on or after 10 August 1999 can salary sacrifice to the fund they nominated for superannuation guarantee contributions. When determining how much to salary sacrifice, you need to include the amount of superannuation guarantee paid on your behalf as this amount counts towards your age-based concessional contribution cap.

Will salary sacrifice affect my superannuation entitlements?

Your superannuation entitlements from NTGPASS, CSS or your chosen superannuation fund will not be affected if you salary sacrifice. Your employee and employer superannuation contributions to your existing fund will be based on your normal gross salary prior to salary sacrifice.

Are there any fees?

There will be an initial establishment charge of \$52 pre-tax, then an annual administration fee of \$52 which is deducted in the first pay in April (Pay 20) in line with the FBT year. The annual fee can be salary sacrificed.

Example

The following table illustrates the difference in using salary sacrifice to contribute to your superannuation. In Column A, an employee makes a superannuation contribution from their after-tax salary of \$4250. In Column B, an employee also contributes \$4250 by salary sacrificing \$5000 which is tax at 15% when it is received by the fund. By salary sacrificing the employee pays less tax overall and has a larger take home pay compared with paying the same contribution from after-tax salary.

This example does not take all financial considerations into account, such as taxation on superannuation benefits when exiting, and personal after-tax contributions to NTGPASS and CSS.

	Column A No Salary Sacrifice	Column B Salary Sacrifice
Gross salary	\$65 000	\$65 000
Salary sacrifice contributions	Nil	\$5 000
Before-tax salary	\$65 000	\$60 000
PAYE tax plus Medicare Levy of 1.5%	\$14 475	\$12 900
After-tax salary	\$50 525	\$47 100
After-tax superannuation contributions	\$4 250	Nil
Take home pay	\$46 275	\$47 100
Per fortnight	\$1 780	\$1 812

Further information

Contact DCIS Salary Packaging for further information on salary sacrifice contributions. A salary sacrifice calculator is available at the NT Superannuation Office website www.nt.gov.au/ntt/super.

Helpful information can be located on the Australian Securities and Investments Commission (ASIC) website www.asic.gov.au/fido. Other useful sites are www.superannuation.asn.au, www.ato.gov.au or call ATO on 131 020.

You may wish to consult a licensed financial adviser on the effect of salary sacrifice on your personal circumstances.

Disclaimer

The information made available in this fact sheet is provided as a guide only and has been prepared without taking into account your personal objectives and financial needs. You should consider any information on this form in light of your personal circumstances. You may wish to consult a licensed financial planner to do this.

The Commissioner of Superannuation and the Northern Territory of Australia accepts no responsibility for any losses arising from any use or reliance upon the information or conclusions reached using the information.