

Super fact sheet

Salary Sacrifice and Superannuation

What is Salary Sacrifice?

“Salary Sacrifice” refers to arrangements by which employees agree to forego some future salary or wages in return for their employer providing benefits of a similar value, e.g. superannuation or a motor vehicle.

An ideal Salary Sacrifice arrangement for superannuation will enable:

- tax deductions for the employer, and
- increased superannuation benefits for the employee, while reducing assessable income by a similar amount.

How much salary can an employee sacrifice?

There is no limit to the benefits that can be provided to an employee as long as there is no limit in the employee’s applicable industrial law, award or similar agreement. Amount paid over the above concessional contributions limits are still deductible to the employer, but will result in an excess contributions tax of 31.5% in the hands of the employee.

What type of super contribution is Salary Sacrifice?

Being concessional contributions, Salary Sacrifice contributions are subject to a 15% contributions tax and count towards the employee’s annual concessional contribution limit of \$25,000 for 2009/2010.

Transitional arrangements exist during the period 1 July 2007 to 30 June 2012 where concessional contributions up to \$50,000 pa (effective 1 July 2009) can be made if employees are 50 years old or from when they turn 50 during the transitional period.

How does this differ from a voluntary personal contribution (personal post-tax contribution)?

Personal voluntary contributions are non-concessional contributions, which means no tax deduction is applicable and no contributions tax is payable. The current cap is \$150,000 pa with the ability to bring forward two years and contribute \$450,000 over three years.

What are the reporting requirements for employers?

The same reporting to employee rules that apply to other employer contributions apply to Salary Sacrifice.

When should contributions be paid?

Contributions should be paid in accordance with relevant industrial awards, employment agreements or SG requirements. Otherwise, there is no stipulation as to when Salary Sacrifice contributions should be paid.

Which legislation governs Salary Sacrifice payments?

Salary Sacrifice is governed by the Income Tax Assessment Act and the Superannuation Industry (Supervision) Act (SIS Act).

Is Salary Sacrifice right for me?

The benefits of Sacrificing Salary for superannuation depend on personal circumstances, including income and tax rates. Before deciding to Salary Sacrifice, you should consider carefully all the facts and decide whether a Salary Sacrifice arrangement for superannuation will benefit you.

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What rules apply to a Salary Sacrifice arrangement?

- A contract of employment, including details of remuneration and any Salary Sacrifice arrangement, between the employer and employee must exist prior to work being performed. It is advisable that all the terms of the arrangement, including its effect on SG contributions, are clearly documented.
- The Salary Sacrifice arrangement must be entered into before an employee becomes entitled to be paid. Normally the Salary Sacrifice arrangement would be entered into before work is performed. Subject to the terms of any contract of employment, industrial agreement or award, employees can renegotiate a Salary Sacrifice arrangement at any time.
- The Sacrificed Salary must be permanently foregone for the period of the arrangement. Any benefit entitlements paid in cash form part of normal salary or wages. This includes deposits made by employers into employees' bank accounts.
- Salary Sacrifice contributions:
 - must be made to a complying superannuation fund
 - incur 15% contributions tax when received by the fund
 - are preserved
 - do not qualify for the government co-contribution
 - may be counted as SG contributions by the employer.

Can leave entitlements be sacrificed?

Leave entitlements can only be sacrificed before an employee has fulfilled the conditions to be eligible to take leave. This means that leave entitlements already owed to an employee can not be sacrificed, but leave entitlements they will be entitled to in the future can be sacrificed.

Can an employee Salary Sacrifice for spouse superannuation contributions?

Spouse contributions are paid from after-tax income. They are non-concessional contributions which cannot be paid through a Salary Sacrifice arrangement.

Making salary sacrifice super contributions easy

Our *Salary Sacrifice Form* can be used to establish and document a Salary Sacrifice arrangement. It is available on our website, or contact us for a copy or with any questions. Alternatively, speak to your employer or payroll officer about what salary sacrificing options are available to you.