Salary sacrifice and save

Saving a little now can benefit you later.

Fact Sheet **July 2024**

The minimum employer contribution set out in the super guarantee (SG) legislation is currently 11.5%[1] of your salary.[2] For many Australians, this is the only amount being saved for their future retirement.

Make your own contributions to super

Whilst your employer is required to pay you at least the minimum SG rate, you can choose to save more in your super by making your own contributions into your NGS account. This could bring you closer to achieving the financial support and comfortable lifestyle you want in retirement. Even a small amount now could make a world of difference later and the sooner you start, the greater the end reward may be.

Topping up your super

Salary sacrifice is just one of a number of ways to get started and it can be a tax-effective way to save for retirement.

If you make a contribution to your super using salary sacrifice, it will only be taxed at the concessional contribution tax rate of 15%[3] when received by us. In contrast, you could pay as high as 47% tax on your take-home pay.

Salary sacrifice contributions will count towards your income when assessing your eligibility for certain government benefits, including the government co-contribution. More information is available at **ato.gov.au**

1. The SG is scheduled to increase to 12% on 1 July 2025.
For more information, refer to our fact sheet **Opportunities and limits for super contributions** at **ngssuper.com.au/factsheets**

2. Ordinary time earnings – more information is available from the Australian Taxation Office (ATO) at **ato.gov.au**

3. For individuals with a combined income exceeding $250,000, a portion of your concessional contributions will be taxed at the rate of 30%. This high income tax threshold will be assessed by the ATO as part of your annual tax return. Combined income refers to the sum of your taxable income plus concessional contributions.

Concessional (before-tax) contributions

Super contributions made from your pay before income tax is deducted are referred to as before-tax or concessional contributions. Importantly, concessional contributions are counted in the financial year that your super fund receives them (not when it is deducted from your pay) – so you need to take that into account when considering making additional contributions. The following table provides a summary.

Type of contribution	Tax rate	Details
Before-tax (concessional)		
These include: • employer contributions (including SG contributions) • salary sacrifice contributions • any personal contributions for which you claim a tax deduction	• 15% if you earn less than $250,000 or • 30% if you earn more than $250,000[3]	You can contribute up to $30,000 p.a. to your super. In addition, you may also be able to contribute any unused concessional contributions if eligible (see carryforward note below).
Your age and whether or not you meet the work test (explained on page 2), may impact your ability to make concessional contributions. See our fact sheet **Opportunities and limits for super contributions** for more details.	**Excess contributions (above your cap)** All excess contributions will be: • included as taxable income and • taxed at your personal tax rate less a 15% tax offset.	If you exceed the limit, you can choose: • to withdraw up to 85% of your excess contributions from your account or • leave it in your super account and it will count towards your after-tax contributions cap.

Carry-forward any unused concessional contributions cap

You can carry forward any unused amount of your concessional contributions cap on a rolling basis for 5 years. Amounts carried forward that have not been used after 5 years will expire. The first financial year in which you could carry forward an unused concessional contributions cap from the previous financial year was 2019-20.

You will only be able to take advantage of your unused concessional contributions cap if you are eligible to make concessional contributions and your total super balance at 30 June of the previous financial year was less than $500,000.

You can view your unused concessional contributions cap available to carry forward through your Australian Taxation Office (ATO) linked account by logging into your myGov account at **my.gov.au**

What else?

Whether you're considering before-tax or after-tax contributions, remember that:

- contributions and investment earnings must be preserved[4]
- you may need to pay tax if a benefit is paid to you when you are under age 60.

Age restrictions

If you are 75 or over, we can accept super guarantee (SG) contributions from your employer only. By law we are unable to accept any voluntary contributions from you with the exception of a Downsizer contribution[5], unless the contribution is received within 28 days of the month after the month in which you turned 75.

Saving for your first home

You can now make contributions to your super account that, if eligible, may be released to purchase your first home.

For more details, please see our fact sheet **First home super saver scheme** at **ngssuper.com.au/factsheets**

Low income super tax offset

Low income super tax offset (LISTO) provides support for low-income earners to ensure they do not pay more tax on their super contributions than on their take-home pay. You may be eligible for a LISTO contribution to your super fund if your adjusted taxable income is $37,000 or less. The LISTO contribution is equal to 15% of the total before-tax (concessional) contribution for an income year, capped at $500.

How do before-tax and after-tax contributions compare?

To get an understanding of the difference between after-tax and before-tax contributions, let's take a look at the two examples.

Example 1

Dave is 53 years of age and has a salary of $70,000 per year (before any deductions, including tax). He would like to boost his retirement savings by making some additional contributions to his super. He knows that he can afford to contribute approximately $15,000 from his annual after-tax income but would like to know whether he should contribute this money to his super before tax or after tax.

Scenario 1 – after tax	Scenario 2 – before tax
$14,647 after tax	$21,950 before tax

See table below for further clarification.

	Scenario 1 After-tax contribution	Scenario 2 Before-tax contribution
Salary (assessable income)	$70,000	$70,000
Less super salary sacrifice	$0	$21,950
Adjusted taxable income	$70,000	$48,050
Less tax on taxable income	$11,788	$5,203
Less Medicare levy	$1,400	$961
Plus low income tax offset (LITO)	$0	$279
Tax payable	$13,188	$5,885
Net salary income	$56,812	$42,165
Less after-tax super contribution	$14,647	$0
Net income	**$42,165**	**$42,165**

The net income for both scenarios is the same – $42,165. However, Dave's before-tax contribution provides him with a more favourable outcome as:

- his income tax is reduced from $13,188 to $5,885 and
- he also saves $4,011[6] extra in his super (as his net contribution is $18,658 after applying the 15% contributions tax).

Dave's salary sacrifice contributions are included in his assessable income for the government co-contribution income test, which means his income is well over the co-contribution earning limit. Regardless of whether Dave made an after-tax contribution, he would not qualify for a co-contribution.

The calculations shown in this fact sheet are based on current marginal tax rates, 2% Medicare levy and Low Income Tax Offset without consideration of any other tax rebates or offsets that you may be eligible for or any other taxable income you may receive.

4. Preserved refers to money in your super savings that must be kept in a super fund until a condition of release occurs, for example if you retire after attaining your preservation age or turn 65. Further details can be found in our fact sheet **Gaining access to your super** at **ngssuper.com.au/factsheets**

5. A downsizer contribution is a contribution to super from the sale of your home if you are over age 55 and meet the eligibility requirements. Existing contribution caps and restrictions do not apply to a downsizer contribution. Further information can be found in our fact sheet **Downsizer contribution** at **ngssuper.com.au/factsheets**

6. No investment earning assumptions have been made in the above calculations.

Claiming a tax deduction for personal contributions

If you don't salary sacrifice through your employer, you may instead claim a tax deduction for personal contributions if you are under age 75 provided you meet the work test[7] if you have reached age 67 but are under age 75. You will need to notify us of your intent to claim a tax deduction on the personal contribution prior to any withdrawal from your super account and prior to lodging your tax return.

You can do this by completing a **Notice of intent to claim or vary a deduction for personal super contributions** form at **ngssuper.com.au/forms**

If you are thinking about making extra contributions try the **Moneysmart Super contribution optimiser calculator** to see what type of contributions you should make – salary sacrifice or after-tax (or a combination of both) – at **moneysmart.gov.au**

The work test

The work test applies only where you are aged between 67 and 74 and wish to claim a deduction for personal contributions. Under the work test you must have worked at least 40 hours over 30 consecutive days in the financial year.

The work test does not apply for salary sacrifice contributions, or for after-tax personal contributions where you do not wish to claim a tax deduction.

7. Under the work test you must have worked at least 40 hours over 30 consecutive days in the financial year. if your total super balance at the previous 30 June is less than $300,000, you will be exempt from the work test for 12 months from the end of the financial year in which you last met the work test. This exemption applies once only.

More information?

Contact us

You can contact us at **ngssuper.com.au/contactus** or call us on **1300 133 177** Monday to Friday, 8am–8pm (AEST/AEDT).

Fax: **(03) 9245 5827**

Postal address:
GPO Box 4303
MELBOURNE VIC 3001

Need help?

If you are thinking about salary sacrifice, consider obtaining professional advice for your personal situation.

We offer single-issue advice limited to your NGS Super account at no cost over the phone through our Financial Advice Helpline.

We also offer low-cost tailored advice through NGS Financial Planning. To make an appointment phone us on **1300 133 177** or complete the **Financial advice enquiry** form at **ngssuper.com.au/advice**

Important information

The information provided in this fact sheet is general information only and does not take into account your objectives, financial situation or needs Before making a financial decision, please assess the appropriateness of the information to your individual circumstances and consider seeking professional advice.

NGS Financial Planning Pty Ltd, ABN 89 134 620 518, is a corporate authorised representative #394909 of Guideway Financial Services Pty Ltd, ABN 46 156 498 538, AFSL #420367 and offers financial planning services on behalf of NGS Super ABN 73 549 180 515.

Issued by NGS Super Pty Limited ABN 46 003 491 487 AFSL No 233 154 the trustee of NGS Super ABN 73 549 180 515

5268 (0724)