Salary Sacrifice – Fact Sheet

How does Salary Sacrifice work?

You can choose to allocate a certain amount of your pre-tax salary to go straight into your super. This is called salary sacrifice.

Salary sacrifice works by:

- reducing your salary
- reducing your income tax, and
- adding to your super.

Your reduced salary (that is, your salary less the amount you salary sacrifice to super) then becomes your gross taxable income.

For example, if you earn $55,000 and contribute $5,000 of your salary to super using salary sacrifice, you will only be taxed on $50,000 ($55,000 less $5,000).

Please note, effective from 1 July 2009 Salary Sacrifice no longer reduces your assessable income for the purpose of calculating your eligibility for the co-contribution.

Who is eligible?

Everyone who is working is eligible to salary sacrifice, as long as their employer allows these arrangements to be set up.

It is not compulsory for an employer to offer salary sacrifice.

To find out more, email us at advice@eqtsuper.com or call us on **1300 659 799**.

Additional Information

- The amount you salary sacrifice is not subject to pay as you go (PAYG) withholding tax and will not appear on the Payment Summary you receive from your employer.
- The first $25,000 in Concessional contributions (including Super Guarantee and Salary Sacrifice) which your employer contributes on your behalf each year are taxed at 15% by the super fund. Any contributions made over this amount are taxed at an additional 31.5% bringing the total taxation effect on contributions over the $25,000 threshold to 46.5%.
- Until 30 June 2012, transitional arrangements in place for those over age 50 raises this threshold to $50,000 per year.
- Once you put it into super, it generally must remain there until you retire. This is referred to as 'being preserved'.
- Your employer may place a limit on the level of salary that can be sacrificed to super.
- Your salary sacrificed contributions reduce your salary and therefore may reduce the base on which your employer calculates their 9% superannuation guarantee contributions for you. You should check with your employer whether this is the case.
- Ask your adviser about the taxation implications when you eventually retire and access your superannuation.