



## Financial Adviser to the RESCue (Reportable Employer Superannuation Contributions)

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This year it is more important than ever to closely monitor the amount of Salary Sacrifice contributions that you are making to your superannuation.

Salary Sacrifice contributions are one of a number of different contribution types that make up your concessional contributions cap. Generally, a concessional contribution is one paid into your superannuation fund for which either you or your employer claims a tax deduction. There are also some less common circumstances where other amounts will be counted.

It is important not to overlook the fact that when your employer is funding the cost of your insurance premiums (under policies held in your Superannuation fund), then those amounts are counted as concessional contributions.

You need to work with your payroll area, as decisions that they make when calculating your salary package can push you over your cap. For example, your employer can choose to calculate your Superannuation Guarantee Contribution on your pre-salary sacrifice income or your post-salary sacrifice income. Where the post-salary sacrifice income is used, you will be financially disadvantaged.

Alternatively, if your employer pays for additional benefits within your Superannuation plan such as Insurance Premiums and Plan Management Fees you may find yourself salary sacrificing too much and exceeding your caps.

### CASE STUDY

John's Income and Super Contributions	Calculation
Base Salary	\$100,000
Salary Sacrifice	\$15,000
Salary used for SGC*	\$100,000
SGC	\$9,000
Concessional Contributions	\$24,000
Employer paid insurance premiums	\$5,000
Total Concessional contributions	\$29,000
Excessive contributions	\$4,000
<b>Penalty Tax</b>	<b>\$1,260</b>

*\* Before commencing a Salary Sacrifice arrangement it is worth checking with your employer the method they will use to calculate their SGC obligation to you. There are various methods with varying implications for employees.*

In this example, the employer is calculating its SGC obligations using what could be considered a fair method. However, you will notice that the insurance premiums that the employer is paying on John's behalf have pushed the concessional contributions beyond the cap and resulted in a tax penalty of 31.5% in addition to the 15% contributions tax. Depending on John's Marginal Tax Rate ('MTR') he may benefit from reducing his salary sacrifice and making some after-tax contributions. For high income earners already on the highest MTR, it may actually be a zero net sum game – but you still need to be careful!

**continued overleaf**

Any excessive concessional contributions count towards your non-concessional contributions cap. Non-concessional contributions are personal contributions where no tax deduction has been claimed. The current cap on these contributions is \$150,000 per year, or you can contribute up to \$450,000 in a single lump sum and use three years at once.

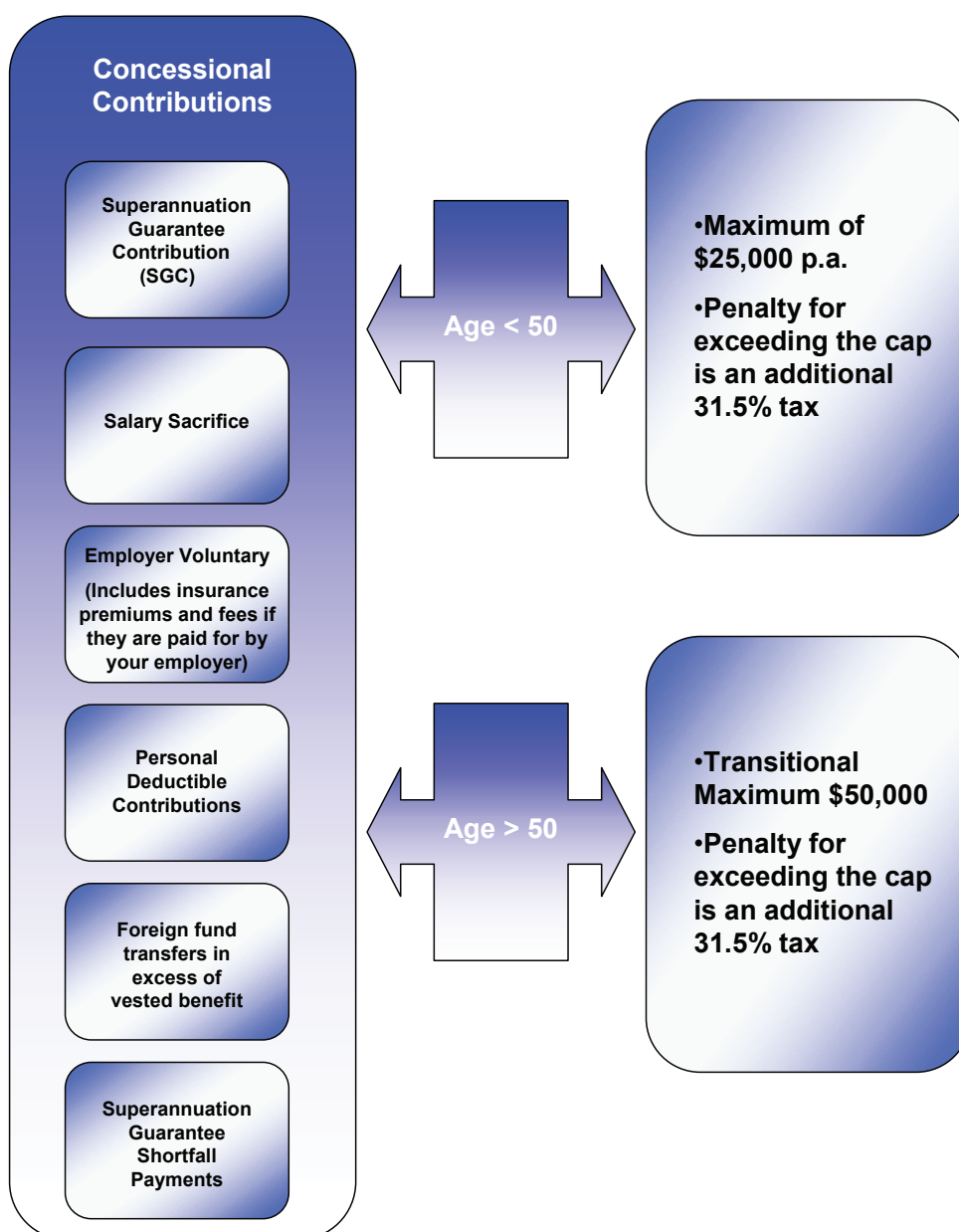
### The Trap

In our example above, penalty tax of 31.5% was charged on the excessive amount of the concessional contribution. Had the non-concessional cap of \$150,000 already been used, a further penalty of 46.5% or \$1,860 would be charged, bringing the total tax on the excessive contributions to \$3,720. In total the following tax would have been charged on the excessive contribution:

Double Tax Trap	Calculation
Contributions tax	15%
Breach Concessional Cap	31.5%
Breach Non- concessional Cap	46.5%
<b>Total Penalty Tax</b>	<b>93%</b>

### What counts towards my Concessional Contributions Cap?

The diagram below shows the most common types of contributions that are counted towards the concessional cap. For the current financial year the cap is \$25,000 however if you are over 50 you may have access to the transitional cap of \$50,000.



*Disclaimer: This information in this update is intended to be only general in nature and does not take into account your personal financial situation, goals or objectives. You should not rely on this information to make investment decisions or interpret it as financial advice. You should seek professional financial advice before making any investment decisions to ensure they are appropriate for your individual circumstances, goals and objectives.*