# Salary Sacrifice

Salary sacrifice is an arrangement between you and your employer, where you can transfer part of your before-tax salary into your super to gain tax benefits.

## How does salary sacrifice work?

If you earn over $18,200 a year you start paying income tax – 19c for each dollar over $18,200. If you earn over $37,000 it jumps to 32.5c to the dollar and so on. Salary sacrifice into your super lets you put your salary into your super at a contribution tax rate (CTR) of a flat 15%. The amount of your taxable income is therefore reduced and may drop to a lower Marginal Tax Rate (MTR). Salary sacrifice can give you a bigger bang for your buck by letting you pay less tax on your salary, and can help you meet your retirement investment goals.

Use ASIC's superannuation calculator to see the difference salary sacrificing can make to your retirement savings.

It is important to remember that you generally cannot access any money you contribute to super until you reach your preservation age and retire.

## Contribution limits apply

There are limits on the amount of money you can put into super each financial year before you have to pay extra tax. These limits are called super contribution caps.

| **Concessional contribution caps** | **2016/2017** |
|---|---|
| 48 years or under | $30,000 |
| 49 years or over | $35,000 |

It is important to note that this cap includes:

- Employer contributions, such as compulsory employer contributions paid by your employer
- Any additional pre-tax super contributions your employer makes

- Other amounts paid by your employer from your pre-tax income to your super fund, such as administration fees and insurance premiums
- Salary sacrifice payments made to your super fund
- Contributions that you are allowed as an income tax deduction, such as contributions you make if you are self-employed (to claim a tax deduction for your personal super contributions, you must first complete a notice of intent to claim deduction in the approved form and give it to your super fund notional taxed contributions if you are a member of a defined benefit fund).

For 2016-17 and later years, if you exceed your concessional contributions cap the excess contributions are included in your taxable income. You will receive a non-refundable tax offset equal to the 15% tax paid by your fund on this amount.

**It will be important to review your existing circumstances to ensure that this lower concessional cap is appropriately targeted from 1 July 2017.**



WA Local Government Superannuation Plan Pty Ltd ABN 64 066 797 162, AFSL 269006, as Trustee for WA Local Government Superannuation Plan ABN 18 159 499 614

Level 11, 105 St Georges Terrace, Perth, Western Australia 6000
T/ 08 9480 3500 F/ 08 9480 3501 Country Call/ 1300 99 85 42

PO Box Z5493 St Georges Terrace, Perth, Western Australia 6831
E/ info@wasuper.com.au

wasuper.com.au