

## **SALARY SACRIFICE FOR SUPERANNUATION CONTRIBUTIONS FOR EMPLOYEES IN THE NORTHERN TERRITORY PUBLIC SECTOR**

### **Important**

**Salary sacrifice for superannuation contributions has taxation implications which vary on an individual basis.**

**You should seek independent advice from a qualified financial adviser before entering into a salary sacrifice arrangement to ensure that you understand the full impact on your circumstances.**

### **What is salary sacrifice for superannuation contributions?**

Salary sacrifice for superannuation contributions allows you to pay before-tax salary directly into a regulated superannuation fund. Before-tax contributions are known as employer contributions which are taxed at 15% in the fund.

Previously most employees were only eligible to make superannuation contributions from their after-tax salary. After-tax contributions are known as employee contributions which have already been taxed at your marginal tax rate.

This salary sacrifice arrangement is available to all employees in the Northern Territory Public Sector, regardless of whether you are a member of the NTGPASS, CSS, NTSSS or a private fund.

### **Financial Advice**

Salary sacrifice for superannuation contributions has taxation implications which vary on an individual basis.

You should seek independent advice from a qualified financial adviser before entering into a salary sacrifice arrangement to ensure that you understand the full impact on your circumstances.

### **What are the benefits of salary sacrifice?**

Salary sacrifice will enable you to accumulate more savings for your retirement.

Depending on your individual financial circumstance, salary sacrifice may also provide taxation benefits.

However, it is important that you consult with a qualified financial adviser on whether salary sacrifice is suitable for you. As above, superannuation employer contributions are taxed at 15% which is generally lower than your marginal tax rate. Salary sacrifice will therefore initially reduce your total tax payable. However, factors such as the surcharge tax for high income earners, preservation of contributions to at least age 55 and the taxation levied on your superannuation benefit when you receive a benefit, may reduce or eliminate the benefits of salary sacrifice.

### **An example of how salary sacrifice for superannuation contributions affects take home pay**

The following table compares the difference in take home pay of an employee on a before-tax (gross) salary of \$50,000 p.a. who elects to make 5% additional contributions of \$2,500 from before-tax salary (ie salary sacrifice), with paying the same contribution from after-tax salary.

This example does not take all financial considerations into account, eg the surcharge tax, taxation on superannuation benefits when exiting, and NTGPASS and CSS after-tax contributions. The before-tax contribution of \$2,500 would be reduced by \$375 (15% contribution tax) on entry to the Fund. The net contribution would be \$2125.

	<b>No Salary Sacrifice</b>	<b>Salary Sacrifice</b>
Gross Salary	\$50 000	\$50 000
Salary Sacrifice Contributions	-	\$2 500*
Before-Tax Salary	\$50 000	\$47 500
PAYG Tax plus Medicare Levy (approx.)	\$12 130	\$11 342
After-Tax Salary	\$37 870	\$36 158
After-Tax Superannuation Contributions	\$2 500	-
<b>Take Home Pay</b>	<b>\$35 370</b>	<b>\$36 158</b>

### **How much can I salary sacrifice and when can I vary contributions?**

You can sacrifice any amount up to a maximum of **50%** of your usual fortnightly salary plus approved allowances. The contributions will be by way of regular fixed dollar payroll deductions.

You can elect to commence at any time by completing the *Salary Sacrifice Contributions Form* available from your salaries/personnel

officer. Your election will be effective after a period of one month's notice.

You may vary your contributions annually by advising your salaries/personnel officer before the October 1 review date.

A request in writing for a reduction in the amount of salary sacrifice contributions outside the October 1 review date will be considered by your Payroll Manager on financial hardship grounds.

### **Where can I pay my salary sacrifice contributions?**

Your salary sacrifice contributions will be paid into your existing fund unless you are a member of CSS or NTGPASS.

As the CSS fund does not accept salary sacrifice contributions CSS members can salary sacrifice to a fund of their choice.

NTGPASS members may salary sacrifice to either NTGPASS or a fund of their choice from 20 November 2003. However, to be eligible to salary sacrifice, members must be paying 6% after-tax contributions to NTGPASS before salary sacrifice is made. If not already paying 6%, you may increase to 6% on the 1 October review date.

Employees who commenced after 10 August 1999 will salary sacrifice to the fund which you have nominated for your superannuation guarantee contributions.

### **Will salary sacrifice affect my superannuation entitlements from my existing fund?**

No, your superannuation entitlements from the NTGPASS, CSS, NTSSS or under the new superannuation arrangements will not be affected if you salary sacrifice.

Your employee and employer superannuation contributions from your existing fund will be based on your normal pre-salary sacrifice gross salary.

Members of the NTGPASS and CSS must continue to pay employee contributions to their fund, and continue to be subject to the rules and conditions of those funds.

### **Preservation**

All salary sacrifice contributions must be preserved until you retire after your preservation age. They will be included in your Reasonable Benefit Limit (RBL) assessment and in your taxation assessment when you withdraw a benefit.

### **Will salary sacrifice affect other employment conditions?**

No, salary sacrifice for superannuation will not affect the calculation of allowances (including higher duties and overtime), penalty rates, payment for unused leave entitlements and leave loading.

### **Can I salary sacrifice for a non-superannuation benefit?**

Except for employees on Executive Contracts and Medical Officers, salary sacrifice is only available in the form of employer superannuation contributions.

### **Will there be fees or charges?**

There will be an initial charge of \$57.20 (\$52+GST), then an annual fee of \$57.20 deducted from salary after the 1 October review.

### **Surcharge tax**

Employees with assessable taxable income above a prescribed amount (\$94,691 for 2003/2004 indexed yearly) will be assessed by the ATO for a surcharge contributions tax of up to 15%.

Each year, funds advise the ATO of the amount of your employer contributions which is added to your assessable income. The ATO advise the Fund of any additional tax due by you. The fund pays the surcharge tax and deducts it from your account.

In unfunded schemes such as NTGPASS and CSS, members may choose whether to pay the surcharge tax to the Fund each year or defer payment. The surcharge tax is not required to be paid until a benefit is due to be paid to you, when it will be deducted from your benefit. If the surcharge tax is left unpaid in the Fund, interest will accrue at the 10 year Treasury Bond rate.

### **Further Information**

Your salaries/personnel officer can help if you have queries relating to completing your form or payment of contributions.

The salary sacrifice calculator can be found at [www.nt.gov.au/ntt/super](http://www.nt.gov.au/ntt/super)

A financial adviser can advise you on the effect of salary sacrifice on your personal circumstances.

Helpful information such as 'Super Decisions' is an Australian Securities & Investments Commission guide available on [www.asic.gov.au](http://www.asic.gov.au). Other useful sites are [www.asfa.asn.au](http://www.asfa.asn.au), [www.ato.gov.au](http://www.ato.gov.au) or call ATO on 131 020.