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What is salary sacrifice?

You can choose to give up or 'sacrifice' part of your before-tax salary and have it paid into your West State Super account instead. This is generally a tax-effective way to grow your super.

To start salary sacrifice contributions, you need to set up a contractual agreement with your employer, called a salary sacrifice arrangement. From 1 January 2020, salary sacrificing will not affect the amount your employer contributes to your account.

Prior to 1 January 2020, employer Superannuation Guarantee (SG) contributions may have been calculated on your reduced salary and your salary sacrificed amount may have counted towards your employer's SG obligations. This depended on the details of your salary sacrifice arrangement. You should check the terms of your arrangement to see if this applied to you.

You can only salary sacrifice to your West State Super account if you are currently employed in the WA public sector.

The benefits of salary sacrifice

Here are some reasons you might decide to salary sacrifice:

- **You'll pay less income tax** – your taxable income is reduced by the amount you salary sacrifice, which means you could pay less income tax
- **There could be other tax benefits** – super is generally taxed¹ at what's known as a concessional rate of 15%. If you compare this to your marginal tax rate, your total benefit (i.e. net income plus super) could increase through salary sacrificing. Of course, this tax benefit depends on your personal circumstances
- **Salary sacrifice is flexible** – you should be able to start, stop or change your salary sacrifice contribution amount as your situation changes by contacting your employer's payroll department
- **It's cost-effective** – you can generally salary sacrifice contributions at no cost into your West State Super account through your employer, if you are a WA public sector employee

West State Super's unique features

West State Super is a constitutionally-protected, untaxed fund. These unique features may provide extra benefits when you make salary sacrifice contributions.

Salary sacrifice contributions are not taxed upfront

Having an untaxed fund means you only pay tax when you withdraw your benefit or roll your super into a taxed fund or retirement income stream².

With an untaxed fund, 100% of your contributions are invested in your chosen plan, instead of only 85% if you had a taxed fund. You receive investment returns on the full amount of your contributions, which means you might see a slightly higher benefit over time as a result.

Salary sacrifice contributions are not capped annually for West State Super members

While you're working for the WA public sector, you can sacrifice up to 100% of your salary into your West State Super account. This can help you to build your retirement savings, especially in the lead up to retirement.

Concessional (before-tax) contributions made to West State Super count towards your concessional contributions cap, but are not capped within West State Super. That is, the annual cap does not limit the amount of concessional contributions that you can make to a constitutionally-protected fund. However, as such contributions to a constitutionally-protected fund count towards your annual cap, they do limit your ability to make further concessional contributions to other non-constitutionally protected super funds. For example, if you make \$27,500 in concessional contributions to West State Super (including your employer contributions) you wouldn't be able to make any further concessional contributions to a taxed scheme in that financial year (assuming you have no unused concessional contributions cap carry forward amounts available) as \$27,500 is the concessional contributions cap for the 2023/24 financial year.

With West State Super, an untaxed lifetime plan cap per super fund (indexed annually) applies to the untaxed element of your benefit. This is the amount that can be paid as a lump sum or rolled over to a taxed fund and still be subject to concessional tax treatment when you access your money. The untaxed lifetime plan cap for the 2023/24 financial year is \$1.705 million per super fund.

For more information, read the '**Contributing to your super**' and '**Tax and super**' brochures available at gesb.wa.gov.au/brochures.

The cost of salary sacrifice

You can usually salary sacrifice directly to your West State Super account at no cost through your employer's payroll system, if this is in line with your employer's agreement.

If your salary sacrifice is arranged through a third party salary packaging provider, they may charge a fee.

¹ West State Super is an untaxed scheme. Tax is generally only payable when you access your benefit, or when you roll over to a taxed scheme or retirement income stream. For more information, read the 'Tax and super' brochure available at gesb.wa.gov.au/brochures.

² If you are a high income earner whose income and relevant concessional tax contributions exceed \$250,000 then you may be liable for Division 293 tax. For more information see the 'Tax and super' brochure available at gesb.wa.gov.au/brochures.

How to arrange your salary sacrifice

You should first check with your employer to confirm what arrangements they have for salary sacrificing to your super. They should be able to arrange for your super contributions to be deducted from your before-tax salary. To get started, go to gesb.wa.gov.au/forms where you'll find our '**Payroll deduction**' form for salary sacrifice contributions. You can either complete this form online or download and complete the PDF form and give it to your employer.

If you would like to go through a salary packaging provider, simply contact them for help with setting up your salary sacrifice arrangement.

Finding the right advice

There are a number of factors to take into account when deciding whether to start salary sacrifice contributions. You might want to seek advice for your personal circumstances from a qualified financial adviser. For more information about your advice options, see our website at gesb.wa.gov.au/advice.

Meet Amanda

Here's an example of how salary sacrifice and its tax benefits work. Amanda's annual salary is \$70,000. She makes a personal contribution of \$5,200 a year (\$100 a week) to her West State Super account.

Comparing super contributions with and without salary sacrifice

The table below shows the differences between contributions made from Amanda's after-tax income (without salary sacrifice) and contributions made from her before-tax income (with salary sacrifice).

	No personal or salary sacrifice super contribution	With personal contributions (from after-tax income)	With salary sacrifice contributions (from before-tax income)
Gross salary	\$70,000	\$70,000	\$70,000
Salary sacrifice amount	\$0	\$0	\$5,200
Taxable income	\$70,000	\$70,000	\$64,800
Less income tax including Medicare Levy	\$14,617	\$14,617	\$12,795 ³
After-tax income	\$55,383	\$55,383	\$52,005
After-tax voluntary contribution	\$0	\$5,200	\$0
Total take-home pay	\$55,383	\$50,183	\$52,005
Net amount into Amanda's super	\$0	\$5,200	\$5,200 ⁴
Total benefit (income plus super)	\$55,383	\$55,383	\$57,205

Please note: the figures above are for the 2023/24 financial year. The example used in this document is for illustrative purposes only.

After arranging salary sacrifice contributions with her employer:

- Amanda has contributed \$5,200 to her super without reducing her after-tax income by the same amount. This is because she has only paid income tax on \$64,800 instead of \$70,000
- Over the year, Amanda's tax has reduced by \$1,822 (\$14,617 minus \$12,795), and her take-home pay has only reduced by \$3,378 (\$55,383 minus \$52,005)
- Amanda has reduced her income tax by about \$35 a week (\$1,822 divided by 52 weeks) with her \$100 a week contribution to super. At the same time, her take-home pay has only reduced by about \$65 a week (\$3,378 divided by 52 weeks)
- Amanda has increased her total benefit (net income plus super) by \$1,822 (\$57,205 minus \$55,383)

Amanda's salary sacrifice contributions are not taxed at the time they are made to her West State Super account⁵, so the full amount of her contributions are invested in her account. Tax will only need to be paid on her untaxed benefit when it is paid to her, or rolled over to a taxed fund or retirement income stream.

For more information, read the '**Tax and super**' brochure available at gesb.wa.gov.au/brochures.

³ Includes low income tax offset of \$28.

⁴ West State Super is an untaxed fund and generally no contributions tax is applied. Instead, there is a lifetime limit (referred to as an untaxed plan cap) of \$1.705 million per super fund for the 2023/24 financial year (indexed annually) which applies to the untaxed element of your benefit. The lifetime limit represents the amount that can be paid as a lump sum or rolled over to a tax fund and still be subject to concessional tax treatment.

⁵ If you are a high income earner whose income and relevant concessional tax contributions exceed \$250,000 then you may be liable for Division 293 tax. For more information see the 'Tax and super' brochure available at gesb.wa.gov.au/brochures.

Important things you need to know

Before you make a decision, it's important to understand:

- Once you add money to super, you generally can't access it until you meet what's known as a condition of release, e.g. when you retire. For more information on these conditions, see our website at gesb.wa.gov.au/access
- West State Super is an untaxed fund, so tax is generally only payable when you access your benefit, or when you roll over to a taxed scheme or retirement income stream. It's important to find out how salary sacrifice will affect the amount of tax on your benefit. For more information, read the '**Tax and super**' brochure available at gesb.wa.gov.au/brochures
- Although the concessional contributions cap doesn't apply to West State Super, any concessional contributions you make to West State Super count towards your cap for the purposes of making additional concessional contributions to a taxed super scheme. For example, if you make \$15,000 in concessional contributions to West State Super, as the cap is \$27,500, you would be able to make \$12,500 in concessional contributions to a taxed scheme and remain within the cap. If you make \$27,500 in concessional contributions to West State Super, then you would not be able to make any further concessional contributions to a taxed scheme and remain within the cap (assuming you have no unused concessional contributions cap carry forward amounts available). For more information, read the '**Contributing to your super**' brochure available at gesb.wa.gov.au/brochures
- Division 293 contributions tax for very high income earners applies to concessional contributions, including those made to tax-exempt constitutionally protected funds, like West State Super. For more information, read the '**Tax and super**' brochure available at gesb.wa.gov.au/brochures
- Salary sacrifice is a type of contribution you make before tax. When you make after-tax contributions, tax has already been paid so no further tax applies to these contributions
- In accordance with WA State Government policy, if you want to salary sacrifice more than 50% of your total employment cost⁶, you will need to obtain financial advice before entering into a salary sacrifice arrangement
- Salary sacrifice may not be the best option for you, should your taxable income fall under the tax-free threshold. Consider the tax rates applicable to your annual taxable income
- Salary sacrifice contributions don't count towards the Commonwealth Government Super Co-Contribution
- The amount you salary sacrifice will be reported by your employer on your PAYG payment summary. This amount could affect whether you're eligible for:
 - The spouse super contributions tax offset
 - The Commonwealth Government Super Co-Contribution on any personal (after-tax) contributions you make to your super
 - All dependent tax offsets
 - Services Australia and Centrelink benefits (e.g. Family Tax Benefit, Child Care Subsidy)

6 Your total employment cost is made up of your base salary, other cash allowances, non cash benefits, any fringe benefits tax liabilities currently paid by your employer and any variable components. You should talk to your employer if you need to confirm the value of your total employment cost.

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