

What is salary sacrifice?

You can choose to give up or 'sacrifice' part of your before-tax salary and have it paid into your GESB 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.

Most of the time, salary sacrificing doesn't affect the amount your employer contributes to your account.

In some cases, employer Superannuation Guarantee (SG) contributions could be calculated on your reduced salary and your salary sacrificed amount may count towards your employer's SG obligations. This depends on the details of your salary sacrifice arrangement, so make sure you understand the terms of your arrangement.

You can only salary sacrifice to your GESB 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 taxed 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
- **It's cost-effective** – you can generally salary sacrifice contributions at no cost into your GESB account through your employer, if you are a WA public sector employee

Your concessional contributions caps

There's a limit on how much you can contribute to your super each year and still be taxed at 15% (the concessional tax rate¹). This limit is known as the concessional contributions cap. Both your salary sacrifice contributions and your employer's SG contributions count towards this cap. The concessional contributions cap is applied per person, not per fund, which means contributions made to other funds are included in the cap.

The general concessional contributions cap for the 2018/19 financial year is \$25,000².

Catch-up concessional contributions from 1 July 2018

From 1 July 2018 if you have a total super balance of less than \$500,000 on 30 June of the previous financial year, you'll be able to carry forward your unused concessional contributions cap amounts into later financial years. For example, if in 2018/19 you make \$15,000 in concessional contributions you will have a carry forward amount of \$10,000 that you can access from 2019/20.

If your contributions exceed the cap

If your contributions exceed the cap, the amount will be included in your assessable income and taxed at your marginal tax rate. You will also have to pay the excess concessional contributions charge on the increase in your tax liability. You may elect to withdraw up to 85% of your excess concessional contributions from your super fund to help pay your income tax assessment when you have excess concessional contributions.

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 GESB 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.

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. You can also use our '**Payroll deduction**' form, available at gesb.wa.gov.au/forms. This form will need to be completed and given to your employer's payroll department.

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 the 'Help and advice' section of our website at gesb.wa.gov.au.

¹ If you are a high income earner whose income and relevant concessional 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.

² From 1 July 2017 the general concessional contributions cap is \$25,000 and is indexed in line with Average Weekly Ordinary Time Earnings in increments of \$2,500 rounded down.

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 GESB 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	\$15,167 ³	\$15,167 ³	\$13,345 ⁴
After-tax income	\$54,833	\$54,833	\$51,455
After-tax voluntary contribution	\$0	\$5,200	\$0
Total take-home pay	\$54,833	\$49,633	\$51,455
Net amount into Amanda's super	\$0	\$5,200	\$4,420 ⁵
Total benefit (income plus super)	\$54,833	\$54,833	\$55,875

Please note: the figures above are for the 2018/19 financial year.

After arranging salary sacrifice contributions with her employer:

- Amanda has contributed \$5,200 to her super fund 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 (\$15,167 minus \$13,345), and her take-home pay has only reduced by \$3,378 (\$54,833 minus \$51,455)
- 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 \$1,042 (\$55,875 minus \$54,833). This includes the 15% contributions tax on the salary sacrifice amount

Important things to know before you salary sacrifice to your super

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
- It's important to find out how your super will be taxed. 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
- 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
 - A deduction for personal super contributions (deductions cannot be claimed for personal super contributions made to an untaxed fund, such as West State Super)
 - All dependant tax offsets
 - Centrelink and Child Support Agency benefits (e.g. family tax benefit, child care benefit)

³ Includes low and middle income tax offset (\$530).

⁴ Includes low income tax offset of \$28 and low and middle income tax offset of \$530 (total tax offset \$558).

⁵ Salary sacrifice contributions are generally taxed at the concessional rate of 15%.

First Home Super Saver (FHSS) scheme

The First Home Super Saver (FHSS) scheme was announced in the May 2017 Federal Budget, as an initiative by the Commonwealth Government to help Australians aged 18 years or older, save for their first home⁶.

From 1 July 2018, if you are a GESB Super member and meet certain eligibility requirements, you can apply to withdraw voluntary contributions made after 1 July 2017 (and the associated earnings) to use towards the purchase or construction of your first home.

This includes:

- **Voluntary concessional contributions** - including salary sacrifice amounts or contributions for which a tax deduction has been claimed
- **Voluntary non-concessional contributions you have made** - these are made after tax or where a tax deduction has not been claimed

As West State Super and Gold State Super are constitutionally protected funds, contributions made to these schemes are not eligible for the FHSS scheme.

The FHSS scheme is administered by the Australian Tax Office (ATO) who will assess your eligibility for the scheme. You can apply to access the FHSS scheme using your myGov account.

To apply you will need to request a FHSS scheme determination from the ATO which will set out the value of the maximum amount you can withdraw from your GESB Super account under the FHSS scheme. Once you have an FHSS determination you can request that the ATO issue an FHSS release authority to GESB specifying the amount you would like to withdraw. When we receive the FHSS release authority from the ATO we will then pay the specified amount to the ATO, who will then pay it to you.

Additional rules apply to the FHSS scheme, for more information, please visit the ATO's website at ato.gov.au.

⁶ If you lost ownership of your first home due to financial hardship you may be able to apply to the ATO to use the FHSS scheme to help you purchase or construct a home which is not your first home. See the ATO website at ato.gov.au for more details.

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