Salary sacrifice

GOVERNMENT OF WESTERN AUSTRALIA

GESB SUPERANNUATION

GESB Super

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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 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.

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 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 by contacting your employer's payroll department
- **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 (before-tax) contributions cap

There's a limit on how much you can contribute to your super each year and still be taxed at 15% (the concessional tax rate[1]). 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 2023/24 financial year is $27,500[2].

Carry-forward concessional contributions

From 1 July 2019, the carry-forward rules allow you to make extra concessional contributions above the general concessional contributions cap without having to pay extra tax. If you have a total super balance of less than $500,000 on 30 June of the previous financial year, you can 'carry forward' any unused concessional contributions cap amounts from previous financial years, starting 1 July 2018. Amounts carried forward that have not been used after five years will expire. For example, if you made $15,000 in concessional contributions in each of 2018/19, 2019/20, 2020/21, 2021/22 and 2022/23 you will have a carry forward amount of $55,000 that you can access from 2023/24. The 2018/19 unused cap amount of $10,000 that is not used by the end of 2023/24 will expire.

If your contributions exceed the cap

If your contributions exceed the concessional contributions cap, the amount will be included in your assessable income and taxed at your marginal tax rate. 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. Any excess concessional contributions you do not elect to have released will count towards your non-concessional contributions cap.

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.

1 If you are a high income earner whose income and relevant concessionally-taxed 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 The concessional contributions cap is $27,500 and is indexed in line with Average Weekly Ordinary Time Earnings in increments of $2,500 rounded down.

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 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	$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	$4,420[4]
Total benefit (income plus super)	**$55,383**	**$55,383**	**$56,425**

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 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 ($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 $1,042 ($56,425 minus $55,383). This includes the 15% contributions tax on the salary sacrifice amount

3 Includes low income tax offset of $28.
4 Salary sacrifice contributions are generally taxed at the concessional rate of 15%.

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
- 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
- In accordance with WA State Government policy, if you want to salary sacrifice more than 50% of your total employment cost[5] you will need to obtain financial advice before entering into a salary sacrifice arrangement
- 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
  - The Commonwealth Government Super Co Contribution on any personal (after-tax) contributions you make to your super
  - All dependant tax offsets
  - Services Australia and Centrelink benefits (e.g. Family Tax Benefit, Child Care Subsidy)

First Home Super Saver (FHSS) scheme

The First Home Super Saver (FHSS) scheme is an initiative by the Commonwealth Government to help Australians aged 18 years or older, save for their first home[6].

If you're 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 personal concessional contributions (such as salary sacrifice contributions) and non-concessional contributions you have made.

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.

For more information on applying for this scheme, or for information on the rules around applying, visit the ATO's website at ato.gov.au.

5 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.

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.

How to contact us

T Member Services Centre 13 43 72 **F** 1800 300 067 **W** gesb.wa.gov.au

PO Box J 755, Perth WA 6842

Government Employees Superannuation Board ABN 43 418 292 917

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