

Salary Sacrifice

Building your retirement savings in a tax-effective manner.



Financial
Services
Group

Salary sacrifice involves giving up some or all of your before-tax salary in exchange for increased employer superannuation contributions. The amount salary sacrificed will be **taxed at 15% rather than at your personal tax rate** (up to 46.5%). This will **reduce your total tax payable**. In addition, any investment earnings will also be taxed at a maximum rate of 15%.

Along with helping to build your retirement funds, Salary Sacrificing can help offset any insurance premiums payable through your Superannuation fund. Making holding your insurance through Super tax effective.

Case Study:

Sally works as a Sales Manager at Happy Feet Shoes, earning \$150,000/a. She is considering entering into a salary sacrifice arrangement with her employer to sacrifice \$10,000 of her earnings into her super fund to build her retirement savings and help pay for her life insurance. She would like to know how this would work. The following table shows the difference between Sally's assessable income and rates of tax before and after she started Salary Sacrificing.



	Before Salary Sacrifice	After Salary Sacrifice
Remuneration	\$150,000	\$150,000
Less super salary sacrifice	-	\$10,000
Taxable income	\$150,000	\$140,000
Taxable Income (12/13 tax rate) including Medicare Levy	\$45,697	\$41,847
Total Cash Flow	\$104,303	\$98,153
Total Super Contribution	\$13,500	\$23,500
Contributions Tax (15%)	\$2,025	\$3,525
Total tax paid	\$47,722	\$45,372
Total savings		\$2,350

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Things to be aware of:

- ✓ As Salary sacrificed contributions are treated as employer contributions you need to be aware of the concessional cap limitations (currently \$25,000/a for all individuals). If you go over the concessional cap you could be eligible to pay excess tax.
- ✓ Salary sacrifice reduces your assessable income; therefore your cash flow will be reduced.
- ✓ If your average income tax rate is not greater than 15%, Salary Sacrifice may not be appropriate.

For more information, speak to one of CA's Financial Planner's on (02) 9955 7288 or email info@cafinaancialservices.com.au