Growing your super through salary sacrifice

Paying extra into your super could save you tax and help you retire with more

Salary sacrifice is an arrangement you set up through your employer and for many people is a tax-effective way to grow their super[1].

How does salary sacrificing work?

Making a before-tax contribution to your super is known as 'salary sacrifice'. This is where you choose to give up or 'sacrifice' part of your before-tax salary and add it directly into your super account.

Doing this will not only grow your super balance, but could also reduce your taxable income, and therefore the total taxes you pay.

Also, keep in mind that a salary sacrifice arrangement only relates to future salary, not past earnings. For example, you can salary sacrifice a pay bonus only if you entered into an agreement before you became entitled to your bonus.

Is salary sacrificing into your super right for you?

If you're a middle-to-high income earner, making before-tax super contributions could help you save tax. This is because the tax you pay on your super is generally less than the tax you pay on your income from salary.

However, before-tax contributions may not be as tax-effective for low income earners. If you're a low income earner and looking for ways to boost your super, a government co-contribution could be a suitable alternative. Find out more about the government co-contribution at **australiansuper.com/CoContribution**

Know your tax limits

The government limits the amounts you can contribute to super before and after tax. If you go over the limits, you may pay extra tax.

Tax you pay on before-tax contributions up to the limit

Your income	Before-tax super contributions limits[2]	Tax payable
Less than $250,000 per year	$27,500 a year	15%
More than $250,000 per year[3]	$27,500 a year	30%

Salary sacrificed super contributions won't reduce the ordinary time earnings your employer is required to calculate your super entitlement on or count towards the amount of super guarantee contributions that your employer is required to make to avoid the super guarantee charge.

Tax deductions for after-tax contributions

Alternatively, you could also add to your super through personal after-tax contributions[4] and you may be able to claim a tax deduction for them. Visit **australiansuper.com/ClaimTaxDeduction** for information about claiming a tax deduction for after-tax super contributions.

[1] Salary sacrifice may affect some government benefits and employee benefits. Consider getting financial advice before deciding if a salary sacrifice arrangement is right for you.

[2] From 1 July 2019, you may be able to carry forward any unused portion of the concessional contributions cap for up to five previous financial years. See the *Add to your super and retire with more* fact sheet for full details.

[3] If your adjusted taxable income (including your before-tax contributions) is more than $250,000 per year, your before-tax contributions will be taxed at 30%, to that extent.

[4] Before adding to your super, consider your financial circumstances, contribution caps that may apply, and tax issues. We recommend you consider seeking financial advice.

Here's how salary sacrificing can save you tax

Reduce your taxable income

With some of your salary going into super, you'll lower your taxable income and that could save you from paying higher rates of tax.

Pay a lower tax rate on contributions

You also pay just 15% tax on your contribution into your super provided your adjusted taxable income is below $250,000.

Getting started

Step 1: Ask your employer if they offer salary sacrifice, what your options are and any impacts it might have on your salary and benefits.

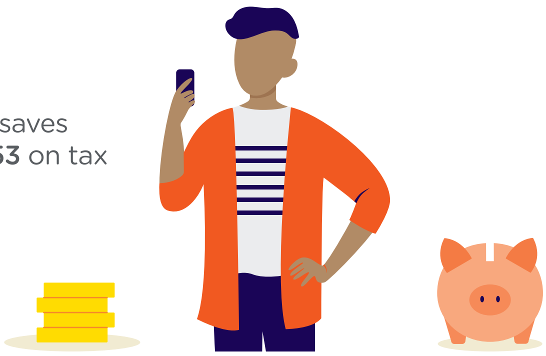
Step 2: Complete and provide the *Add to your super through your employer* form to your employer or payroll department. Download this form from **australiansuper.com/forms**

Simon saved on tax and saved more for his future[1]

Simon is a graphic designer aged 30 who earns $70,000 a year. He has a super balance of $50,000. His employer makes a super guarantee contribution of 11%. Making additional before-tax contributions could have a big impact on his retirement balance at 65.

Simon salary sacrifices **$50** per fortnight

He saves **$253** on tax



Difference to super at retirement

$64,000

Simon salary sacrifices **$100** per fortnight

He saves **$507** on tax

Difference to super at retirement

$129,000

[1] Salary assumed to increase at 3.5% pa. Additional voluntary contributions assumed to increase at 3.5% pa, in line with wage growth. ATO resident tax rates 2023–2024 apply. Tax saving does not include LMITO and family tax benefits. Assumes member does not take any career breaks from current age to retirement. Assumes AustralianSuper administration fees of $1 pw and 0.10% of account balance (capped at $350 pa) and AustralianSuper average insurance costs of $500 pa. Investment returns projected over the working lifetime are 6.5%, net of fees and applicable taxes. SG contributions at 11% initially, rising to 12% pa in line with legislated increases. Results are expressed in today's dollars by discouting at wage inflation of 3.5%. Super balance figures rounded to the nearest $1,000 and tax savings figures rounded to the nearest $1.

Remember to tell us your Tax File Number

If you don't tell us your Tax File Number, you'll pay 47% tax on your before-tax contributions (this includes the Medicare levy) and we can't accept after-tax contributions from you. Log in to your account at **australiansuper.com/login**

Contact us

Call **1300 300 273**
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