

Salary sacrifice your compulsory personal contributions to SASS

There are several ways you can make your compulsory personal contributions to SASS as detailed below. Before making this decision, it is recommended you seek professional financial advice.

What are the contribution arrangements?

Each year, by 31 December, you can choose what percentage of salary (between 1% and 9%) you want to contribute to your SASS scheme as compulsory personal contributions.

Provided your employer agrees, your compulsory personal contributions to SASS can be made:

- entirely from your before-tax salary (salary sacrifice concessional contributions), or
- entirely from your after-tax salary (non-concessional contributions), or
- from a combination of before-tax and after-tax salary.

Non-concessional contributions (after-tax) used to be known as undeducted contributions. Concessional contributions include salary sacrifice and employer contributions. As SASS can only accept compulsory personal contributions up to 9% of your salary, any additional contributions you choose to make must be paid into another superannuation fund.

What do I need to consider?

Salary sacrifice contributions are treated as employer contributions and attract the Commonwealth Government's 15% contributions tax on entry to the scheme.

This means the amount you contribute needs to be increased (or grossed up) by an amount representing the contributions tax, so that you make the same net contribution to SASS that you would have made via after-tax contributions. For example, if you choose to contribute at 6%, you would need to contribute 7.06% of salary, i.e. an additional 1.06% of salary on a before-tax basis.

The formula is: $\text{contribution rate} \div 0.85$. The grossing-up of contributions is arranged with your employer as part of overall salary packaging arrangements.

The grossed-up salary sacrifice contribution rates for specific after-tax contribution rates are:

After-tax contribution rate	Salary sacrifice rate
1%	1.18%
2%	2.35%
3%	3.53%
4%	4.71%
5%	5.88%
6%	7.06%
7%	8.24%
8%	9.41%
9%	10.59%

We recommend you seek professional financial advice about making salary sacrifice contributions.

The STC schemes are administered by Mercer Administration Services (Australia) Pty Ltd on behalf of the schemes' trustee, SAS Trustee Corporation (STC). STC is governed by the *Superannuation Act 1916*, the *State Authorities Superannuation Act 1987*, the *State Authorities Non-contributory Superannuation Act 1987*, the *Superannuation Administration Act 1996* and the *Police Regulation (Superannuation) Act 1906*. The schemes are also subject to Commonwealth superannuation and tax legislation.

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Is salary sacrifice right for me?

It depends on your individual circumstances. You may receive more take-home pay if you make your contributions via salary sacrifice. However, this depends on your level of income so you should seek professional financial advice to help you decide whether to make salary sacrifice contributions. There is a handy calculator on our website that shows you the effect of making contributions via salary sacrifice, after-tax or a combination of the two.

The following example compares the effect on net salary of salary sacrifice contributions for a member earning \$95,000 per year. The example assumes the member is contributing 6% of salary and is not eligible for the Commonwealth Government co-contribution.

After-tax contributions	
Gross salary	\$95,000
Less income tax [†]	\$21,342
Net salary	\$73,658
Less superannuation contributions	\$5,700
Net salary (after tax and super deductions)	\$67,958

Salary sacrifice contributions	
Gross salary	\$95,000
Less salary sacrifice contributions (\$5,700 ÷ 0.85)	\$6,705
Adjusted gross salary	\$88,295
Less income tax [†]	\$19,162
Net salary (after super and tax deductions)	\$69,133

[†]Excluding Medicare Levy

In this example, making salary sacrifice contributions resulted in a \$1,175 increase in annual after-tax salary. In both scenarios, the amount of net contributions credited to SASS is the same.

The PAYG tax scale used in the example above is for the financial year commencing on 1 July 2022. Future changes to PAYG tax scales will result in different income tax and net salary outcomes.

Other matters to consider

Do salary sacrifice contributions affect the superable salary used to calculate my SASS benefits?

No. Your salary and your SASS benefit entitlements are not affected by whether you make salary sacrifice contributions.

Can I pay additional salary sacrifice contributions into SASS?

No. SASS can only accept your compulsory personal contributions between 1% and 9% of your salary. You can make additional contributions to another superannuation fund of your choice.

Am I eligible for the Commonwealth Government contributions?

To find out if you are eligible to receive the Commonwealth Government co-contribution or the low income superannuation tax offset, refer to STC Fact Sheet 13: *Information about the Commonwealth Government's superannuation co-contribution and the low income superannuation tax offset.*

Apart from the 15% contributions tax, are there other tax implications?

Yes. The Australian Taxation Office requires any salary sacrifice arrangement with your employer to be made in advance. You will need to advise your employer in advance so that appropriate deductions can be made from your salary.

Salary sacrifice contributions:

- may be subject to tax on benefit payment (further details are provided in STC Fact Sheet 3: *Taxation*).
- are counted in full towards the concessional contributions cap. Generally, contributions above the cap will be taxed at your marginal tax rate (further details are provided in SASS Fact Sheet 16: *SASS Contribution caps and your total superannuation balance*).

I'm interested in salary sacrifice . . . What should I do now?

- Check whether your employer will allow you to make salary sacrifice contributions and when you can advise changes to your salary packaging arrangements to include any salary sacrifice contributions of your compulsory personal contributions.
- With your employer's approval, you can arrange to salary sacrifice at any time of the year.

- Seek professional financial advice. An Aware Super financial planner can recommend an appropriate salary sacrifice strategy for your personal situation. For an appointment, call **1800 620 305** or visit **retire.aware.com.au/statesuper**.
- Advise your employer of the portion (if any) of your SASS contributions you want to make via salary sacrifice.

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More information

If you need more information, please contact us:

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