

# SALARY SACRIFICE YOUR COMPULSORY PERSONAL CONTRIBUTIONS TO PSS

Since 1 January 2008, you have been able to pay your compulsory personal contributions to PSS as salary sacrifice contributions. Before making this decision, it is recommended you seek professional financial advice.

## What are the contribution arrangements?

Provided your employer agrees, your 6% compulsory personal contributions to PSS 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.

PSS can only accept compulsory personal contributions equal to 6% of your superable salary.

Any additional salary sacrifice or non-concessional contributions you make must continue to be paid into another superannuation scheme of your choice.

**PSS is not able to accept these contributions.**

## 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 PSS that you would have made via after-tax contributions.

To calculate how much extra you would need to contribute if you salary sacrificed your 6% compulsory personal contributions to PSS, simply divide your current after-tax contribution amount by 0.85. For example, if you currently contribute \$4,200 to PSS in after-tax contributions, you would need to increase this amount to \$4,941 via salary sacrifice contributions (i.e.  $\$4,200 \div 0.85 = \$4,941$ ). The grossing up of contributions is arranged with your employer as part of overall salary packaging arrangements.

The grossed up salary sacrifice contribution amounts for various superable salary levels are:

Superable salary	Current annual after-tax contribution amount	Annual salary sacrifice contribution amount
\$52,000	\$3,120	\$3,671
\$70,000	\$4,200	\$4,941
\$100,000	\$6,000	\$7,059

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

## 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.

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

STC has published this fact sheet. STC is not licensed to provide financial product advice in relation to PSS.

Reasonable care has been taken in producing the information in this fact sheet and nothing in it is intended to be or should be regarded as personal advice. If there is any inconsistency between the information in this fact sheet and the relevant scheme legislation, the scheme legislation will prevail. In preparing this fact sheet, STC has not taken into account your objectives, financial situation or needs. You should consider your personal circumstances and possibly seek professional advice, before making any decision that affects your future.

To the extent permitted by law, STC, its directors and employees do not warrant the accuracy, reliability or completeness of the information contained in or omitted from this fact sheet.

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 \$65,000 a year. The example assumes the member is contributing 6% of superable salary and is not eligible for the Commonwealth Government Co-contribution.

After-tax contributions	
Gross salary	\$65,000
Less income tax <sup>†</sup>	\$12,672
Net salary	\$52,328
Less superannuation contributions	\$3,900
Net salary (after tax and super deductions)	\$48,428

Salary sacrifice contributions	
Gross salary	\$65,000
Less salary sacrifice contributions ( $\$3,900 \div 0.85$ )	\$4,588
Adjusted gross salary	\$60,412
Less income tax <sup>†</sup>	\$11,180
Net salary (after super and tax deductions)	\$49,232

<sup>†</sup>Excluding Medicare Levy

**In this example, making salary sacrifice contributions resulted in a \$804 increase in annual after-tax salary. In both scenarios, the amount of net contributions credited to PSS is the same.**

The PAYG tax scale used in the example above is for the financial year ending 30 June 2019. 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 PSS benefits?

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

### Can I pay additional salary sacrifice contributions into PSS?

No. PSS can only accept your compulsory personal contributions equal to 6% of your superable salary. You can make additional contributions to another superannuation scheme 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, please refer to STC Fact Sheet 13: *Information about the Commonwealth Government's Superannuation Co-contributions and the new 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 a higher rate (further details are provided in Fact Sheet 16 – *PSS 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.
- Advise your employer of the portion (if any) of your PSS contributions you want to make via salary sacrifice.

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## More information

If you need more information, please contact us:

**Telephone:** **1300 130 097** (for the cost of a local call, unless calling from a mobile or pay phone)  
8.30 am to 5.30 pm, Monday to Friday.

**Personal interviews:** Please phone 1300 130 097 to make an appointment.

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