

Salary sacrifice your compulsory personal contributions to SSS

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

What are the contribution arrangements?

Each year on your Annual Review Day you are advised of any new units to which you have become entitled because of salary increases. While you do not have to make compulsory personal contributions to SSS that would exceed an amount equal to 6% of your salary, the amount you select to contribute to SSS takes effect from your Annual Adjustment Day.

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

- entirely from your before-tax salary (salary sacrifice concessional contributions)
- entirely from your after-tax salary (non-concessional contributions)
- 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.

SSS can only accept compulsory personal contributions for those units you're eligible to contribute towards.

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 SSS that you would have made via after-tax contributions.

To calculate how much extra you would need to contribute on a salary sacrifice basis, simply divide your current after-tax contribution amount by 0.85. For example, if you currently contribute \$4,200 to SSS 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 salary sacrifice contribution amount, applicable for various specified after-tax contribution amounts, is set out in the following table.

Annual after-tax contribution amount	Annual salary sacrifice contribution amount
\$4,200	\$4,941
\$6,500	\$7,647
\$8,500	\$10,000

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.

STC has published this fact sheet. STC is not licenced to provide financial product advice in relation to the STC schemes or to their members.

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 or omitted from this fact sheet.

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 both.

The following example compares the effect on net salary of salary sacrifice contributions for a member earning \$95,000 per annum. 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†	\$19,288
Net salary	\$75,712
Less superannuation contributions	\$5,700
Net salary (after-tax and super deductions)	\$70,012

Salary sacrifice contributions	
Gross salary	\$95,000
Less salary sacrifice contributions ($\$5,700 \div 0.85$)	\$6,705
Adjusted gross salary	\$88,295
Less income tax†	\$17,276
Net salary (after super and tax deductions)	\$71,019

†Excluding Medicare levy

In this example, making salary sacrifice contributions resulted in a \$1,007 increase in annual after-tax salary. In both scenarios, the amount of net contributions credited towards the member's SSS units is the same.

The PAYG tax scale used in the example above is for the financial year commencing on 1 July 2024. 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 salary used to calculate my SSS unit entitlements?

No. Your salary and your SSS unit entitlement are not affected by whether you make salary sacrifice contributions.

Can I pay additional salary sacrifice contributions into SSS?

No. SSS can only accept your compulsory personal contributions. 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 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 SSS Fact Sheet 23: *SSS 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 841 633 or visit retire.aware.com.au/statesuper

- Advise your employer of the portion (if any) of your SSS contributions you want to make via salary sacrifice.

More information

If you need more information, please contact us:

Telephone: **1300 130 096** (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 130 096 to make an appointment.

Postal address: State Super, GPO Box 2181, Melbourne VIC 3001

Internet: www.statesuper.nsw.gov.au

Email: enquiries@stc.nsw.gov.au