

Salary Sacrifice for Superannuation

This fact sheet provides information on salary sacrifice contributions to superannuation for Northern Territory public sector employees. You can commence salary sacrifice contributions at any time by completing the *Salary Packaging for Superannuation Form* available from the Salary Packaging page on the NTG Central site at <http://ntgcentral.nt.gov.au/my-job/pay-and-conditions/salary-packaging> or contact your payroll or personnel officer. Generally, your election will be effective from the next pay period. You can vary your contributions by advising the DCIS Salary Packaging Unit in writing.

What is salary sacrifice for superannuation?

Salary sacrifice for superannuation allows you to contribute before-tax salary directly into a complying superannuation fund. Salary sacrifice is available to all employees in the Northern Territory public sector regardless of whether you are:

- a member of the Northern Territory Government and Public Authorities' Superannuation Scheme (NTGPASS);
- in choice of fund arrangements where your superannuation guarantee (currently 9.5 per cent) is paid to your nominated superannuation fund (for example, AustralianSuper); or
- a member of the Commonwealth Superannuation Scheme (CSS).

What are the benefits?

Salary sacrifice helps you to accumulate more savings for your retirement and, depending on your individual financial circumstances, may provide taxation benefits.

Salary sacrifice contributions to superannuation are known as **concessional contributions** and are taxed at 15 per cent. In most cases where your marginal tax rate is greater than 15 per cent, salary sacrifice will reduce your total tax payable. However contributions must remain in your superannuation fund until you have reached your preservation age and may incur tax when you withdraw your benefit.

How much can I salary sacrifice?

Concessional contributions include salary sacrifice contributions, superannuation contributions made by your employer such as superannuation guarantee, "defined benefit contributions" and contributions by the self-employed for which they can claim a tax deduction.

The Commonwealth imposes caps on the amount of concessional contributions that can be made to superannuation funds on behalf of an individual each financial year.

From 1 July 2017, the concessional contribution cap is \$25 000 per year, inclusive of "defined benefit contributions", salary sacrifice and employer superannuation guarantee (SG) payments.

Since 1 July 2013, contributions exceeding the cap have been taxed at a person's marginal tax rate, plus an interest charge.

Defined benefit contributions

If you are an active member of NTGPASS and NTSSS, your Territory-financed (employer) contributions are not paid to you until you resign. However, a notional amount, referred to as "defined benefit contributions" is assessed against the concessional contributions cap each financial year.

"Defined benefit contributions" are calculated as a percentage of your contribution salary and are determined by your NTGPASS contribution rate. The NTGPASS scheme actuary has determined this notional amount to be 10.2 per cent of the contribution salary for a member contributing to NTGPASS at the rate of 6 per cent.

From the 2016-17 financial year, Member Information Statements provide members with an estimate of their "defined benefit contributions" for the following financial year.

Example

If an NTGPASS member has a contribution salary of \$100 000 at 1 July 2018, and is making after-tax contributions at the rate of 6 per cent, their "defined benefit contributions" for the 2018-19 financial year will be 10.2 per cent of their contribution salary (\$10 200).

This means that the member can salary sacrifice up to \$14 800 in 2018-19 before exceeding their concessional contribution cap.

What can I salary sacrifice?

You can salary sacrifice a regular amount from your pay or a lump sum payment to superannuation arising from an employee entitlement, as long as the arrangement is in place before the accrual date of that entitlement.

Entitlements that are not paid proportional or pro rata on resignation, e.g. recreation leave fares, retention bonuses can be salary sacrificed provided the application is made at least two months before the accrual date.

Where can I pay my salary sacrifice contributions?

NTGPASS - NTGPASS members can salary sacrifice to NTGPASS or to a superannuation fund of their choice. However, to be eligible to salary sacrifice, members must make 6 per cent after-tax contributions to NTGPASS. Members can increase their after-tax contributions to 6 per cent at the 1 October review, prior to making a salary sacrifice application.

Choice of fund - Employees who commenced on or after 10 August 1999 can salary sacrifice to the fund they nominated for superannuation guarantee contributions. When determining how much to salary sacrifice, you need to include the amount of superannuation guarantee paid on your behalf as this amount counts towards your age-based concessional contribution cap.

CSS - For information about salary sacrificing to CSS, please contact them on 1300 000 277

Will salary sacrifice affect my superannuation entitlements?

Your employer-funded superannuation entitlements will not be affected if you salary sacrifice. Your employee and employer superannuation contributions to your existing fund will be based on your normal gross salary prior to salary sacrifice.

Are there any fees?

You will need to contact the DCIS Salary Packaging Unit for details of the current fees charge for salary sacrificing to superannuation.

Further information

Contact DCIS Salary Packaging Unit for further information on how to make salary sacrifice contributions.

Helpful information can be located on the Australian Securities and Investments Commission (ASIC) website www.moneySMART.gov.au Other useful sites are www.superannuation.asn.au, www.ato.gov.au or call ATO on 131 020.

You may wish to consult a licensed financial adviser on the effect of salary sacrifice on your personal circumstances.

Disclaimer

The information made available in this fact sheet is provided as a guide only and has been prepared without taking into account your personal objectives and financial needs. You should consider any information on this form in light of your personal circumstances. You may wish to consult a licensed financial planner to do this.

The Commissioner of Superannuation and the Northern Territory of Australia accepts no responsibility for any losses arising from any use or reliance upon the information or conclusions reached using the information.