

# Pay your super before you pay your tax

(2016-2017 tax year)

## Salary sacrifice

Salary sacrifice is when you arrange with your employer to pay some of your future pre-tax income into your super rather than receive it as taxed take home pay. Maybe it should really be called salary savings. See why below.

## Pay less tax

Your taxable income	Personal tax rate + Medicare*	Super contribution tax**	Super boost
\$37,001 - \$80,000	34.5%	15.0%	19.5%
\$80,001 - \$180,000	39.0%	15.0%	24.0%
\$180,001 - \$300,000	49.0%***	15.0%	34.0%
\$300,001+	49.0%***	30.0%	19.0%

	Outside super	Inside super
Tax on investment income	up to 49%***	no more than 15%
Capital Gains tax	up to 49%***	no more than 10%

\* assumes private health cover in place

\*\* assumes contributions do not exceed the concessional contribution cap

\*\*\*includes the Budget Repair levy of 2%

## Boost your super

### Example

Chris earns \$130,000 pa and is expecting a bonus of \$10,000. Chris and the family live comfortably with their finances under control. Thinking long term, they decided to salary sacrifice \$10,000 of the bonus and enjoy balance.

Tax position	As income	As super
BONUS	\$10,000	\$10,000
Tax + Medicare	\$3,900	\$1,500
Chris keeps	\$6,100	\$8,500

This decision has saved Chris \$2,400 in tax, he will receive a super boost of \$8,500 and will still take home some of his bonus. The real benefit though is when Chris looks back at what happened to previous bonuses which went mostly on non essential impulse purchases with few lasting benefits.

### Think about this

If your income is under \$51,021 then you should consider the Government Co-contribution first.

Your personal budget and living needs influence how much extra you can put into super.

### Do you really need all of your next bonus, incentive or pay rise to meet living costs?

- Top earners pay 49% tax inclusive of Medicare and the Budget Repair levy. Super contribution tax is only 15% for incomes between \$37,000 and \$300,000. That means they could keep 34% more of a bonus or pay increase.
- A 3% pay rise could be taken as 2% income and 1% extra super. Now there's over 10% going to your super. After doing this a few times you can work up to a more meaningful 12% to 15%.
- Two income households often have capacity to increase their super savings.
- If your living expenses decrease, why not save what you no longer have to pay - kids' education costs, loan repayments finalised or reduced, kids move out etc.
- If you receive a windfall, can you live off that for a while, and reduce your take home pay - inheritance, asset sale, lotto?

## What are the rules?

- Salary sacrifice is a formal agreement between you and your employer. Not everyone is eligible so best to check with HR and if you are, make sure you check the agreement to see what's included and how it works.
- Only future income can be salary sacrificed. You cannot sacrifice income you are already entitled to from previous work, for eg accrued leave payments.
- The government limits the amount of concessional tax contributions you can receive from all employers. If you are under age 49 at 1 July 2016, it is a total of \$30,000. For individuals aged 49 or over at 30 June 2016, it is a total of \$35,000.

## Before you do anything, you should:

- contact HR to see if you are eligible and what the agreement conditions are;
- think about your personal budget and how much you can comfortably salary sacrifice; and
- seek professional advice.

## Any questions? Want some help?

One of the great benefits of being in the staff super fund is having access to advice and assistance from the super specialists at Finergy Solutions, our super fund advisers. For all the help you need on any super matter, just email or call Finergy.

## Example

Gross Income	\$80,000		\$120,000		\$200,000	
Taxable income	75,000	-	110,000	-	180,000	-
Salary Sacrifice	5,000	80,000	10,000	120,000	20,000	200,000
Income Tax*	17,422	19,147	30,847	34,747	58,147	67,947
Take home extra super**	57,578 4,250	60,853 -	79,153 8,500	85,253	121,853 17,000	132,053 -
Combined take home pay + extra super	\$61,828	\$60,853	\$87,653	\$85,253	\$138,853	\$132,053

\*includes 2016/2017 tax rates + 2.0% Medicare Levy + 2.0% Budget Repair Levy  
Note: At the time of calling the Federal election, the income tax changes announced in the 2016 Federal Budget had not been enacted by Parliament.

\*\* extra super is net of 15% contribution tax.



Please contact Finergy Solutions with any questions:

**enquiry@finergy.com.au**  
or **1300 071 540**

This flyer is published by Finergy Solutions Pty Ltd. Any advice in this communication has been prepared without taking account of your objectives, financial situation or needs. Because of this you should, before acting on any advice in this communication, consider whether it is appropriate to your objectives, financial situation and needs. Finergy Solutions: ABN 40 145 328 525 AFSL 377659.