

Salary Sacrifice and Personal Deductible Contribution Fact Sheet



What are Salary Sacrifice and Personal Deductible Contributions?

Salary sacrifice is an arrangement between you and your employer where you choose not to receive some salary as cash, but instead place it in your super fund as a pre-tax contribution. This reduces your taxable income, whilst increasing your super savings.

Personal deductible contributions are available to most people as an alternative to salary sacrifice. You make the contribution(s) direct to the Fund and submit paperwork to the Fund to claim the deduction. The contribution can be made as one lump sum, or by regular payments through the year.

To be eligible to make personal deductible contributions you must:

- meet age and super balance restrictions; and
- notify the fund in writing of the amount of the contribution you intend to claim as a deduction.

The fund will acknowledge your notice of intent to claim a deduction in writing.

How do these contributions to super reduce my tax?

For salary sacrifice, rather than taking your full salary at your marginal tax rate, you nominate an amount of 'before tax' money to be paid into your super fund. Your super contributions are taxed at 15%* instead of your marginal tax rate, which for most Australians is 34.5% (but can be as high as 47%) including Medicare.

* Note that if your assessable income is over \$250,000, an additional 15% tax applies. See the current 'Other Information' brochure on our website www.cbhsuper.com.au for more information.

An example of how this works for a person on a salary of \$80,000 p.a. (\$1,500 per week) making \$10,000 in contributions (\$192 p.w.) is below:

Paid to You		Paid to your Super	
Paid as part of your salary	\$192	Paid into your super fund by your employer	\$192
Less Income tax @34.5% (inc Medicare)	\$66	Less contributions tax @ 15%	\$29
You receive	\$126	Your super receives	\$163
Annual amount you receive	\$6,552	Annual amount your super receives	\$8,476

For personal deductible contributions, you receive your pay and are taxed at your marginal rate. You make regular payments or a lump sum totalling \$10,000 to the Fund. The Fund taxes this at 15%, so the net amount to your super is \$8,500. When you get your tax return, you get a refund of the \$3,450 being the income tax you have already paid on this amount.

How much can I contribute (concessional contributions cap)?

There is no limit on how much you can contribute, however the Government has set a limit on the amount in total of employer, salary sacrifice and personal deductible contributions which can be paid into super without paying extra tax. This is called the "concessional contributions cap" and is \$25,000 pa for people of all ages for the 2018-19 financial year. So you can make additional contributions of \$25,000 *minus* the amount your employer will pay for you in the year without paying extra tax.

For information about the extra tax payable if you exceed the cap, see our 'Other Information' brochure on our website www.cbhsuper.com.au.

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How do I commence Salary Sacrificing?

If you are a current CBH employee you need to complete the “*Superannuation Salary Sacrifice Arrangement*” form (Store number: 4729241) and return it to Payroll.

If you are not a current CBH employee, contact your payroll or HR department to find out if your current employer will allow you to make salary sacrifice contributions to the Fund. If they won't allow this, you can still access the same benefits by making a personal deductible contribution.

How do I make Personal Deductible Contributions?

Payment can be made by cheque or EFT to our bank account. See our '*Contributing to Super Fact Sheet*' for details of how to make these payments.

You will also need to complete and submit a '*Notice of intent to claim or vary a deduction for personal super contributions*' to the Fund. This form is available on our website at http://cbhsuper.com.au/publications/forms-super/doc_download/118-claim-a-tax-deduction-for-contributions.html or by contacting the Fund on 9237 9707.

Should I Salary Sacrifice or should I make Personal Deductible Contributions?

There are different benefits for each way to make these contributions as shown below. The tax benefit is the same regardless of how you make the contribution, so it comes down to how much control you want over the timing of payments and whether you wish to complete the paperwork to claim a tax deduction each year.

The benefits of Salary Sacrifice over Personal Deductible Contributions are:

- the tax benefit is immediate - you don't have to wait for your tax return to get the difference in tax refunded;
- your employer makes the payments to the Fund, you don't need to make any payments;
- the payments are spread through the year which can smooth the return you earn - you don't have to worry about a lump sum amount being paid into the Fund at the top of the market which can mean you lose money; and
- you don't have to do additional paperwork each year to claim the deduction.

Personal Deductible Contributions may be a better alternative to salary sacrificing:

- as you can make the decision whether to and how much to contribute later in the year once you know your financial situation;
- if your employer will use the amount you salary sacrifice to reduce the amount they need to make in compulsory superannuation guarantee contributions (currently 9.5% of your salary). Note that CBH does not do this, but some employers do; and
- as it removes the risk that your employer won't actually pay the money you've sacrificed from your pay to the Fund or delays the payment to the following financial year.

Further Information

You can visit the ATO website at <https://www.ato.gov.au/Individuals/Super/Growing-your-super/> for more detailed information about Salary Sacrifice and Personal Deductible Contributions. Alternatively, you can contact Donna Adam at CBH Super on 9237 9707. If you need advice tailored to suit your own personal circumstance, you should contact a licensed financial adviser.

Warning: This fact sheet is general advice only and does not take into account your individual objectives, financial situation or needs. We encourage you to consider discussing your superannuation arrangements with a licensed financial adviser to obtain financial advice that is tailored to suit your own personal circumstance.