

Salary Sacrifice

Salary sacrifice, particularly salary sacrificing money to superannuation, can be one of the most effective ways to assist in reducing your tax and saving for retirement. As always it is important to weigh up the advantages and disadvantages.

WHAT IS SALARY SACRIFICE ?

Salary sacrifice is an arrangement between you and your employer. You agree to reduce your salary by a nominated amount, which your employer uses to increase their super contributions to your account (before income tax is paid).

This means you 'salary sacrifice' some of your gross earnings into your superannuation account. This not only tops up your superannuation at a concessional tax rate (15%) – it may also reduce your taxable income.

You can sacrifice your salary or wages into a variety of benefits including:

- super
- car fringe benefits
- expense payment fringe benefits, such as
 - school fees
 - child care costs
 - loan repayments.

IS IT RIGHT FOR YOU ?

Before entering into a salary sacrifice agreement with your employer, consider seeking financial advice to make sure this option suits your circumstances and complies with current taxation requirements.

In addition:

- Confirm with your employer whether any entitlements such as overtime, unused annual leave and Superannuation Guarantee contributions will be calculated on your full salary (before salary sacrifice) or your adjusted salary.
- You must also make sure you don't reduce your net salary below the level required under an employment award or agreement.

Since 1 July 2009, salary sacrifice contributions to superannuation are included in assessments of income for many government assistance programs, including, but not limited to, income support payments and the superannuation co-contribution scheme. This means any amount you salary sacrifice will be included in your total assessable income.

October 2011

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Note: This information is of a general nature only and is not intended to be relied upon, nor to be a substitute for, specific professional advice. Also as changes in legislation may occur quickly we recommend that our formal advice be sought before acting in any of the above areas.

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