

Factsheet Information

Additional Superannuation

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Salary Packaging Superannuation

Superannuation is becoming an increasingly important consideration for all employees, not just those approaching retirement. Packaging contributions to a complying superannuation fund can be a tax effective way of increasing your superannuation entitlements.

Note: additional contributions cannot be made to defined benefit Super fund such as CSS or PSS, however you can package to PSS accumulation plan (if you are already a member) or you will need to become a member of a complying accumulation benefits superannuation fund. Salary packaging to PSS accumulation plan only can be arranged through Centrelink. Please contact Infopay on 13 62 86.

From 1 July 2009, the definition of income in the means tests for various government financial assistance programs (such as family assistance and child support) and levies (such as the Medicare levy surcharge) will be amended to include salary sacrificed superannuation.

Packaging your superannuation contributions can lower your effective tax rate on income used to make the contributions.

Earnings on money invested in superannuation are also concessional tax.

Packaged superannuation is not subject to FBT, does not constitute a reportable fringe benefit and is not subject to GST.

Why should I package my superannuation contributions?

- Packaging your superannuation contributions can result in lowering your effective income tax rate. It also allows you to contribute more "pre-tax" contributions when compared to making "after-tax" payments (please see example on page 2).
- Your packaged superannuation contributions are paid using "pre tax" earnings. The tax on these contributions (in the form of superannuation contribution tax) is calculated at 15%.
- Generally speaking post tax superannuation contributions made by yourself as an individual will not be tax deductible to you. This means that if the effective income tax rate on your salary exceeds 30% you may well benefit from packaging your superannuation contributions.

Salary sacrificing salary increases and / or your annual bonus

- A common way to make additional superannuation contributions is by sacrificing an increase in salary and / or your annual bonus. Salary sacrificing is the same as salary packaging.
- You should always be aware that any salary packaging arrangement must be "prospective".

In relation to a bonus or leave entitlements, this means that you must arrange to package your bonus or leave entitlements, or part thereof, as a superannuation contribution before you begin to accrue the entitlement. It is recommended that a written agreement with your employer be signed and kept on file as proof of the arrangement with your employer.

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Example (Indicative Only)

Gross Annual Taxable Income \$65,000

Description of benefits packaged

- Employee wishes to increase the amount going into Superannuation while keeping their take home salary the same.
- The employee is currently investing \$3,000 pa into their Personal Super Fund from after-tax dollars.

- An administration fee is payable to Selectus fortnightly from your pre-tax salary.
- This example is indicative only. You should clarify any question/s you may have regarding this example by consultation with an accountant, financial adviser or Selectus consultant.

	Salary Only	Packaged
Gross Salary	\$65,000	\$65,000
Additional Superannuation	\$0	-\$4,560
Gross Taxable Salary	\$65,000	\$60,440
Tax (including Medicare levy)	-\$14,040	-\$12,480
Additional Superannuation (personal after tax contribution)	-\$3,000	\$0
Net After Tax Salary	\$47,960	\$47,960
Annual Net Packaging Benefit	Nil	\$787.60 pa
Reportable Fringe Benefits	\$9,346	\$0

- 15% Contributions Tax of \$684 is paid on the salary packaged amount of \$4,560, leaving a total amount net of tax of \$3,876 to be invested annually into Superannuation. This equates to 29.2% more going into this employee's Superannuation Fund each year at no additional cost to the employee.
- As different strategies may apply for retirement planning, it is recommended that you get advice from your financial adviser prior to salary packaging Superannuation contributions.

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What is the tax treatment of packaged superannuation?

Fringe benefits tax

- Superannuation contributions to complying superannuation funds are not subject to FBT.

Reportable fringe benefits

- Superannuation contributions to complying superannuation funds will not give rise to a reportable fringe benefit.

Reportable Superannuation

Contributions

- Reportable superannuation contributions generally include discretionary employer superannuation contributions such as voluntary salary sacrificed amount. Reportable superannuation contributions are considered as income from 1 July 2009 for family assistance purpose.

GST

- Superannuation contributions are not subject to GST and therefore Input Tax Credits (ITCs) are not applicable.

What is a complying superannuation fund?

- Superannuation funds are either complying or non-complying. Complying funds are regulated under the Superannuation Industry (Supervision) Act and are required to comply with various requirements set out in that Act. Only complying funds receive the concessional tax treatment afforded to superannuation funds.

- Most funds available to the public are complying funds, however you should confirm this prior to joining a fund.

Taxation of superannuation contributions

- All superannuation contributions made by an employer will be taxable contributions. The superannuation fund that receives these contributions will pay tax on them at a rate of 15%. Packaged superannuation contributions will be employer contributions. Your Super fund will deduct the 15% contributions tax from your superannuation account balance and submit this to the ATO.
- From 1 July 2009, concessional contributions made to super will be subject to an annual cap of \$25,000. Between 1 July 2009 and 30 June 2012, a transitional concessional contributions cap will apply. During this time, the annual cap will be \$50,000 for people aged 50 or over.
- Salary packaged superannuation contributions count towards the concessional contributions cap.

Preservation

- Under government legislation, all superannuation contributions made into complying superannuation funds after 30 June 1999 are subject to "preservation". This means that except in the case of permanent incapacity, compassionate grounds, death or severe financial hardship, they cannot be withdrawn by the employee prior to retirement (i.e. after reaching preservation age) or turning age 60.
- The preservation age is 55 if you were born before 1 July 1960 rising to 60 if you were born after 30 June 1964.

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Additional Superannuation Checklist

ACTION	EXPLANATION
1 Collect, read and understand the following information:	If you salary package any part of your salary you will have certain responsibilities of which you must be aware.
The salary packaging section of your internal policy manual	Importantly salary packaging does not benefit
2 Select the superannuation fund and the amount you wish to make contributions to.	Selectus is legally only allowed to make payments to “complying” superannuation funds so ask for a compliance certificate.
3 Once you have selected your preferred superannuation fund you need to confirm from the superannuation fund the following information:	You must also have your membership within the superannuation fund active and able to accept salary packaging contributions
Your superannuation account is set and able to accept contributions via salary packaging	Make sure you get the bank details of where payments are to be made to from your superannuation fund.
The superannuation fund accepts contributions via EFT or Cheque	
The superannuation fund bank account the payments are to be made to	
The superannuation fund is a complying superannuation fund	
4 Before you are able to salary package you may need to obtain a Salary Packaging Agreement/Authority Letter from your HR Team allowing you to salary package.	You will not be able to commence salary packaging without receiving this Agreement / Authority Letter which is essential for Selectus to proceed with your salary package.
5 When entering into a salary packaging arrangement, you must make an informed choice and understand the impact of the arrangement on your take home pay.	
You can do this by:	
Obtaining independent financial advice; or Calling Selectus	

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Additional Superannuation Checklist

Creating your salary package

	ACTION	EXPLANATION
6	You will need to decide on the following:	
7	Which superannuation fund you will make You or your Financial Adviser / Consultant will need to complete the following forms:	Please send a photocopy of your documents to: Locked Bag 4000, Melbourne, Victoria 3001. Or fax to Selectus on (03) 8615 4911.
8	Client Details Form – Superannuation Salary Packaging Agreement/Authority Letter, if applicable Certificate of compliance from your	Selectus will send you the Selectus Authorisation to sign. If using a consultant they will assist you to set up your salary package.
9	Check the Selectus Authorisation, as it shows in detail how your package has been set up by Selectus and the payments made on your behalf. Sign the Selectus Authorisation and return it to your consultant or Selectus.	Selectus can only instruct the payroll team to deduct money from your salary after we have received all the relevant documentation and the signed Authorisation.
10	If all documentation and the authorisation have been received, Selectus will commence collecting payroll deductions and making payments	Even if funds have been deducted from your salary no payments will be made until all documentation and authorisation have been received.
11	You will receive a PIN and password to the Selectus website to allow you to monitor your salary package. If you do not receive this communication please contact Selectus.	It is your responsibility to monitor your package.