



GROW YOUR SUPER AND PAY LESS TAX IN ONE MOVE

Not only can before-tax super contributions grow your super faster, you may also pay less tax. Let's see if this strategy can work for you.

What are before-tax super contributions

A before-tax super contribution is the money your employer puts into your super account before any tax is taken out. Before-tax contributions include compulsory 11% employer contributions and any extra amounts your employer agrees to pay for you. These extra before-tax contributions are often referred to as 'salary sacrifice' contributions.

Why make before-tax contributions?

Reduce your tax and get more money for your super.

Depending on your personal situation, making before-tax contributions may reduce your taxable income and the amount of tax you have to pay.

Additionally, if you earn less than \$250,000 pa, you only pay 15% contributions tax on the before-tax contribution amount instead of your personal income tax rate, which can be up to 47%, including Medicare Levy.

Comparing before-tax and after-tax contributions

A person earning \$100,000 pa can contribute the same net amount to super but take home an extra \$2,294 pa by making before-tax contributions rather than after-tax contributions.

Before-tax versus after-tax contributions*

	Before-tax contributions	After-tax contributions
Gross salary	\$100,000	\$100,000
Before-tax contribution	-\$11,765	Nil
Taxable income	\$88,235	\$100,000
PAYG tax	\$20,908	\$24,967
After-tax contribution	Nil	-\$10,000
Take home pay	\$67,327	\$65,033
Net super contributions	\$10,000	\$10,000

*Calculations correct as at June 2023.

Note: Before-tax contributions are taxed at 15%. PAYG tax is calculated using personal marginal income tax rates plus 2% Medicare levy with a tax-free threshold. Assumes Tax File Number (TFN) is provided to the fund receiving the contributions. This is a simplified example for illustrative purposes only. Your individual circumstances will differ.

i If you haven't provided us with your TFN your before-tax contributions will be taxed up to 47%.

How to arrange before-tax contributions

Making extra before-tax contributions is a benefit your employer may provide. You need to check with your employer if they'll make extra before-tax contributions for you. If so, they'll give you the forms you need.

Most employers require your before-tax contribution agreement to remain in place for at least a year.

How contributions are taxed

You can make two types of contributions to your super.

Before-tax contributions

This is money you put into your super before tax is taken out. Before-tax contributions are also referred to as 'concessional contributions' or 'salary sacrifice' and are taxed at 15% in super if you earn less than \$250,000 pa or at 30% if you earn more.

If you earn less than \$37,000 pa the government will pay a Low Income Superannuation Tax Offset to your super account of up to \$500. This effectively removes the 15% tax you paid on your before-tax contributions.

After-tax contributions

This is money you put into your super from your take home pay after your tax is taken out. After-tax contributions are also referred to as 'non-concessional contributions' and aren't taxed in super.

How much you can contribute

Because of the tax breaks you receive when putting money into super, the government limits how much before-tax money you can contribute to \$27,500 pa.

Amounts over this limit are taxed at your marginal tax rate, along with an interest charge. For more information read our **How much can I add to my super account?** factsheet at mine.com.au/super-factsheets

Are before-tax contributions preserved?

Yes, the money you contribute must stay in super until you're eligible to access it. This means turning age 60 or slightly earlier if you're born before 1 July 1964, and retiring.

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
After 30 June 1964	60

Checklist for making before-tax contributions

Before making before-tax contributions check how it will affect:

- your ability to receive government co-contributions.
- other benefits your employer provides to you, such as overtime and holiday loadings.

Making before-tax contributions can be complex. We recommend you seek financial advice before entering into a before-tax contribution arrangement with your employer.

Need more information or advice?

If you have any questions or need help call us on 13 64 63, Monday to Friday, 8am to 6pm or email help@mine.com.au

Mine Super Financial Advice can provide you with free phone-based advice about your super.

Mine Super | T 13 64 63 | F 02 4962 3469 | E help@mine.com.au | mine.com.au

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