

YOUR GUIDE TO SALARY SACRIFICE

1 July 2025

What is salary sacrifice?

You could pay less tax and make a difference to your super balance when you're ready to retire.

Salary sacrifice is a way of making extra contributions to your super account from your before tax salary. One of the most attractive benefits of doing this is that contributions to super could be taxed at a lower rate than the standard tax rate you pay on your income. So you benefit two ways by saving money on tax while building your super balance.

It lowers your taxable income.

1. When you salary sacrifice, your employer makes contributions to your super from your before-tax pay. The balance then becomes your 'taxable income'. This amount is used to determine your tax rate and ultimately, the amount of tax you pay.
2. Depending on your income, contribution limits and amount you choose to pay into your super, you can use salary sacrificing as an effective strategy to pull your taxable income down into a lower tax bracket.

You pay lower tax on contributions to your super.

When you get paid, you are taxed at your marginal tax rate. Depending on what you earn, this could be as much as 45% plus the Medicare Levy.

Super contributions are taxed at just 15% – so whatever money you sacrifice into super is taxed only at this lower rate.

It's this difference between super tax rates and your income tax rates that makes salary sacrifice so effective.

A little extra now, a lot more later

How much extra could you contribute?

If you're thinking about salary sacrifice, there are a couple of points to consider. Firstly, how much can you afford to regularly contribute without putting a strain on your current lifestyle? Because of the positive effects of compound interest, regular contributions are key to getting the most out of salary sacrifice.

Secondly, you'll need to think about the type of retirement you'd like to enjoy. If you're hoping for regular overseas holidays and a luxurious home you may need to consider larger contributions than you would for a more modest lifestyle.

Once you know your goals, you'll be in a better position to understand how much extra you'll need to make your plans a reality.

The benefits of starting early.

The earlier you start saving, the longer your investment earnings will have to grow. So there's never been a better time to start than now.

If you start adding \$25 a week to your super	From age 20	From age 30	From age 40
Total amount added	\$58,500	\$45,500	\$32,500
Extra benefit at retirement	\$207,610	\$117,416	\$62,045

Earnings are calculated at a compound interest rate of 5% p.a. with amounts being fully invested until age 65. These assumptions are for illustrative purposes only and don't account for fees and tax. Investment returns are not guaranteed. Returns can be higher or lower than set out in this example. This is not a prediction or estimate of actual retirement savings.

Are there contribution limits?

Limits placed by your employer.

Before setting up your salary sacrifice, talk to your employer and check whether:

- they have any maximum amount limits
- they will let you change or stop your salary sacrifice arrangement whenever you want
- your employer will accommodate salary sacrifice arrangements

Should you exceed certain limits – called 'contribution caps' – note that any contribution made over this amount may be taxed up to the highest marginal tax rate of 45%, plus you'll pay the Medicare Levy, plus an interest charge to reflect the fact that this tax is being collected later than your usual income tax.

i The concessional contribution cap for the 2025-2026 financial year is \$30,000.

To find out more about contribution caps, visit www.ato.gov.au/Rates/Key-superannuation-rates-and-thresholds/

Is salary sacrifice right for you?

When can I salary sacrifice?

You can salary sacrifice if your employer allows such arrangements – and you're under 75.

i You can only salary sacrifice into an account that's held in your own name. So you cannot make salary sacrifice contributions to somebody else, such as your spouse. For information about Spouse contributions and Super splitting visit hostplus.com.au/pds

Why salary sacrifice isn't for everyone.

Salary sacrifice works best when your marginal tax rate is more than 15%. That's because 15% is the rate at which super contributions are taxed.

If your tax rate is already less than 15% then salary sacrificing will give you no added advantage. In fact, if you're on a low tax rate then making after-tax super contributions might actually be smarter as you might be eligible for a government super co-contribution.

If you earn \$37,000 p.a., you could also qualify for the Low Income Superannuation Tax Offset (LISTO) of up to \$500.

To find out more about government co-contributions and the LISTO, visit the ATO at www.ato.gov.au

If you think salary sacrifice is right for you

We can explain to you how salary sacrifice works. But only a financial planner can help you decide whether it's the right strategy for you.

As a Hostplus member, you can take advantage of a consultation with a Hostplus financial planner¹. To make an appointment, call **1300 303 188** 8am – 8pm AEST, Monday to Friday. Or if you'd prefer to email us, info@hostplus.com.au

Getting started is simple

If you've decided salary sacrifice is for you just follow these 3 steps to get started:

Step 1: Talk to your employer to find out if they offer salary sacrifice. If they do, be sure to check if a new salary sacrifice arrangement will affect any of your other benefits. Things like overtime, leave loadings and your Super Guarantee contributions could be affected.

Step 2: Decide how much you'd like to regularly contribute. Please consider the concessional and non-concessional contribution caps when deciding an amount to ensure you do not exceed them and have to pay additional tax.

Step 3: Contact your employer or payroll officer to let them know you would like to commence a salary sacrifice arrangement.

YOUR SUPER IS YOUR MONEY

This fact sheet from Hostplus is designed to help you understand and make more of your super. For other fact sheets or if you have any questions, please call **1300 467 875** or visit hostplus.com.au

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