Pay less tax and boost your super

Australian Retirement Trust

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You may be entitled to receive a bonus from DuluxGroup. If you are, you could consider putting that bonus – or a portion of it – into super as a tax-effective way to improve your financial future.

Why consider super?

The gap between individual income tax rates and the concessional tax rate on super makes contributing your bonus to your super worth considering.

Saving through superannuation can be a tax-effective way to provide for your retirement as:

- Contributions made to super from your pre-tax salary are taxed at the **concessional rate** of 15%[1] when they are received by the fund.
- Contributions made to super from your post-tax salary are not taxed when they are received by the fund (provided you do not exceed your cap), as you have already paid income tax on them when your salary was paid to you. Employees can now claim a tax deduction for these contributions when they submit their tax return (you need to let your super fund know beforehand). 15% tax would be deducted, and it would be treated as a pre-tax contribution.
- **No tax** is payable on any payments or benefits that you receive from your super if paid to you after you reach age 60.
- Within the fund, your **investment earnings are taxed at a maximum of 15%**.
- The money in your super account will be invested by a team of experts who work hard to get you the best retirement outcome.

In comparison, any income you earn outside of superannuation, including investment earnings, is generally taxed according to your individual income tax rate, which could be up to 47% (including the Medicare levy).

[1] Provided they don't exceed the annual contribution caps and your income (including concessional [before-tax] contributions) is less than $250,000 per year.

You have two options to put your bonus into your super

A before-tax (concessional) contribution, also referred to as 'salary sacrifice'

Salary sacrifice to super is an arrangement between you and your employer where your employer pays an agreed portion of your salary into your superannuation account rather than directly to you. By salary sacrificing, you can reduce your taxable income and increase your superannuation balance.

What are the tax benefits?

When you receive your salary and wages in cash, PAYG tax at your marginal tax rate is deducted. When you put it into super, contributions tax at only 15%[1] is deducted. Typically, salary sacrifice is a tax-effective strategy if your annual income is more than $37,000 a year because the contributions tax on your super will most likely be lower than your marginal tax rate.

Important!

By law, you need to instruct DuluxGroup of your choice to salary sacrifice before you earn the salary.

An after-tax (non-concessional) contribution after receiving your bonus

After receiving your bonus, you could contribute some (or all) of it to super and claim the amount as a tax deduction in your tax return. This may reduce the income tax you pay, and the contribution to your super will be taxed at the concessional rate (provided that you have not exceeded the contribution caps, as explained further). Please call your super fund for assistance if you'd like to do this.

The difference between the two strategies

The net outcome of contributing the same gross amount to super is very similar from a tax-saving perspective. However, there are some small differences due to the timing of the contributions, for example:

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- in the first scenario, your super gets a boost straight-away (when your employer pays your super) so it can start generating investment returns, while the second scenario only gives you an increase in super when you decide to make the contribution.
- salary sacrificing reduces your take-home pay immediately, whereas the second strategy allows you to decide when the money is paid into your super.

Example

If you were 35 years old, earning $100,000 per year before tax and you contributed $2,000 to super, the benefits of each type of contribution would be:

Super contributions	After-tax contribution option	Salary sacrifice contribution option
Contribution	$2,000	$2,000
Income tax %	34.5%	34.5%
Income tax $	-$690	-$0
Concessional contribution tax %	15%	15%
Concessional contribution tax $	$0	-$300
Total super contribution	**$1,310**	**$1,700**

As you can see by contributing the **$2,000** before tax, you would be **$390** better off than if you contributed the same amount to super after tax.

Contribution caps – how much can you put into super?

Concessional contributions cap

There is a cap on the amount of concessional contributions you can make each year. For the 2023-24 financial year this limit, referred to as the ‘concessional contributions cap’, is $27,500.

Contributions that count towards this cap include:

- all employer contributions that DuluxGroup makes on your behalf such as superannuation guarantee (SG)
- any salary sacrifice (before-tax) contributions that you’ve asked DuluxGroup to make, plus
- all personal contributions you make for which you claim a tax deduction.

It is important to consider this cap when planning any contribution strategy, noting that:

- concessional contributions made to **all super funds you may have** count towards the cap
- concessional contributions made throughout the whole financial year count towards the cap. These will include any contributions made between the time you receive your bonus and 30 June each financial year. Also remember that your salary, and therefore your employer SG contributions, may change during the year, and
- any Retirement Bonus that you receive on commencing a *Retirement income account* count towards the concessional contributions cap.

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Log into **Member Online** and click on the **Contributions** tab and then **Concessional contributions** to view the total amount of concessional contributions made to your Australian Retirement Trust account so far this financial year. You can also call us on **13 11 84**.

'Catch-up' concessional contributions

Unused portions of the concessional contributions cap can be 'rolled over' to future years, subject to certain conditions. This means that if your 'total superannuation balance' is less than $500,000 (as at 30 June of the previous financial year) you will be able to make use of the unused portions on a rolling 5-year basis.

For example, if your concessional contributions are $15,000 less than the annual concessional contributions cap, that $15,000 unused portion is effectively rolled over and added to your concessional cap.

Unused cap amounts that aren't used after 5 years expire.

Non-concessional contributions cap

The government also limits the amount of voluntary after-tax contributions you can pay to your super fund without being penalised. This limit is referred to as the 'non-concessional contributions cap'. The cap for the 2022-23 financial year is $110,000.

Contribution rules also prohibit any non-concessional contributions being made for people with a 'total superannuation balance' of $1.7 million or more from 1 July 2021.

What if you exceed the cap?

If you exceed your concessional contributions cap, the Australian Taxation Office (ATO) will look at the information provided to them from all super funds you may have, as well as information you report in your tax return, to assess if you need to pay excess concessional contributions tax. You can find more information on what happens if you go over your concessional contributions cap and how any tax can be paid on the **ATO website**.

Points to consider

It's important to be aware:

- Money in your super account cannot generally be withdrawn until you have reached your preservation age (between ages 55 and 60 depending on your date of birth) and have retired, or you reach age 65.
- If your total income* is less than $57,016 for the 2022-23 financial year (or $56,112 for the 2021-22 financial year), you may be eligible for the government co-contribution if you choose to make an after-tax contribution to super. For further information, see our **website**.
- If you breach either the concessional or non-concessional contribution caps, additional tax may be payable on any excess contributions.

* Total income for this purpose includes tax assessable income, all before-tax super contributions (with the exception of employer SG contributions) and reportable fringe benefits.

Supersize your house deposit

Are you aware of the Federal Government's new First Home Super Saver Scheme (FHSSS)?

If you're saving for your first home, the FHSSS can help you achieve your home ownership dream sooner. Your savings may grow faster under the FHSSS than they would if you were to put the money into a cash savings account. That's because you may pay less tax by saving within super, and the deemed earnings rate that applies may be higher than bank interest.

Find out more at **art.com.au/fhsss**.

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Want some advice?

Speak to your adviser. If you don't have a personal financial adviser, Australian Retirement Trust has qualified financial advisers[1] who can help you over the phone with simple advice about your Super Savings account. This service is included in your membership[2]. If the advice you need is more complex or comprehensive in nature, we may recommend you see an accredited external financial adviser[3]. Advice of this nature may incur a fee. You can find out more about financial advice options at **art.com.au/advice/options**.

[1] Australian Retirement Trust employees provide advice as representatives of Sunsuper Financial Services Pty Ltd (ABN 50 087 154 818 AFSL No. 227867) (SFS), wholly owned by Australian Retirement Trust. [2] Sunsuper Financial Services Pty Ltd (ABN 50 087 154 818 AFSL No. 227867) (SFS) is a separate legal entity responsible for the financial services it provides. Eligibility conditions apply. Refer to the Financial Services Guide (pdf) for more information. [3] Australian Retirement Trust has established a panel of accredited external financial advisers who are not employees of Australian Retirement Trust. Australian Retirement Trust is not responsible for the advice provided by these advisers and does not receive or pay any referral fees. These advisers will explain to you how their advice fees are determined.

We're here to help

For more information, visit **portal.australianretirementtrust.com.au/duluxgroup** or call us on **13 11 84** between 8.00am and 6.30pm AEST, Monday to Friday.

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