FACT SHEET

SALARY SACRIFICE VS AFTER-TAX CONTRIBUTIONS

NATIONWIDE SUPER

Deciding how to make contributions to superannuation can be difficult. We look at the benefits and limitations of salary sacrifice versus after-tax contributions to help you decide the best option for you.

SALARY SACRIFICE

What is it?

Salary sacrifice is a contribution you make to your super from your before-tax pay. The contribution is deducted from your total salary before income tax has been calculated, and forwarded to your super account.

A before-tax contribution is also called a 'concessional' contribution. There is a limit to the amount of concessional contributions you can make in a financial year.[1]

Why salary sacrifice?

Salary sacrifice reduces your taxable income, so you pay less income tax. Only 15% tax is deducted from your salary sacrifice amount compared to the rate you pay on your income, which can be up to 47% (including the Medicare Levy). You should consider your marginal income tax rate when determining whether salary sacrifice is beneficial for you.

The tax rate on the investment growth your super earns is also a maximum of 15%.[2] This can be much lower than the tax on investments outside superannuation.

The compulsory superannuation guarantee contribution provided by your employer might not be enough to fund the retirement you want. Salary sacrifice can allow you to give your super the helping hand it needs to meet your retirement goals.

Take a look at the below example 'How salary sacrifice can save you tax' to see the benefits.

How much can I contribute?

You may contribute up to $30,000 per financial year. Remember that your employer's contributions (including any amounts they pay towards the administration costs and insurance premiums in your iQ Super account) and personal contributions for which you have claimed a tax deduction, also count towards the concessional contribution limit.

It is up to you to monitor contributions to ensure the limit is not exceeded. Concessional contributions above the limit will be taxed at your marginal rate (minus a 15% tax offset), plus the Medicare Levy and potentially an interest charge. The excess will also count towards your after-tax (non-concessional) contribution limit.

You may also be able to make extra concessional contributions—above the general concessional contributions cap—without having to pay extra tax. This means taking advantage of the carry forward rule, which lets you access unused concessional cap amounts from up to five previous financial years.

It does require that your total super balance at the end of 30 June of the previous financial year is less than $500,000 and you made concessional contributions in the financial year that exceeded your general concessional contributions cap.

You can monitor your contributions using our app or through your online member account. Download and log in to the Super Tracker mobile app on the App Store or the Google Play Store, or log in to your account at nationwidesuper.com.au/login and view your transaction history for details.

1 You can read more about these limits in our Contribution Limits Fact Sheet.
2 The investment return we publish is already net of tax.

How salary sacrifice can save you tax

Sam's salary is $85,000. If he sacrifices $5,000 to super, he will pay $750 in contributions tax instead of $1,600 in income tax, giving him $850 more to invest.

	WITH SALARY SACRIFICE	WITHOUT SALARY SACRIFICE
Gross salary*	$80,000	$85,000
Salary sacrifice	$5,000	$0
Income tax**	$16,388	$17,988
Contribution tax on salary sacrifice	$750	$0
Net benefit (take home pay + salary sacrifice)	$67,862	$67,012

* Compulsory Superannuation Guarantee (SG) employer contributions are paid in addition to this amount and are not reduced by salary sacrifice.
** Estimates only based on 2024-25 income tax rates, inclusive of the Medicare Levy.

Things to consider

Salary sacrifice is not offered by all employers. Check with your payroll officer or Human Resources (HR) department to see if your employer allows you to salary sacrifice.

Salary sacrifice contributions are not counted towards the government cocontribution scheme.[3] If you only make salary sacrifice contributions you won't be eligible to receive a co-contribution.

You may still qualify for a co-contribution by making after-tax contributions to super along with your salary sacrifice. It is not compulsory for employers to pay superannuation guarantee contributions on income you salary sacrifice. Your employer may choose to calculate their contribution based on your income after the salary sacrifice has been deducted. This would reduce the amount that they pay to your super. Your payroll officer or HR will be able to tell you how your employer will calculate their contribution.

AFTER-TAX CONTRIBUTIONS

What is it?

After-tax (non-concessional) contributions are deducted from your salary after your income tax has been deducted. You may also make one-off after-tax contributions to your account with any savings you have.

How much can I contribute?

You may contribute up to $120,000 per financial year (provided your total superannuation balance is lower than the general transfer balance cap of $1.9 million). However, to accommodate larger contributions, people under age 75 are allowed to bring forward two years of contributions, up to a total of $360,000.

For example, a person under age 75 is able to make up to $360,000 of contributions in one financial year, but will then be unable to make further non-concessional contributions for the next two financial years.

Why after-tax contributions?

If your total assessable income is lower than the relevant income threshold, making after-tax contributions may qualify you for a co-contribution from the government of up to $500.[3]

No contributions tax is deducted from your after-tax contributions (provided you do not exceed the contribution limits). If you have a very low income, your income tax rate may be lower than the 15% contributions tax deducted for salary sacrifice, so you could pay less tax by making after-tax contributions rather than salary sacrifice. This is particularly true for people who have low income and receive franked dividends from any share investments.

Things to consider

After-tax contributions are taxed at your marginal tax rate before entering your super account. Your marginal tax rate could be up to 47% (including the Medicare Levy).

Any after-tax contributions made in excess of the contribution limit will be taxed at 47% (including the Medicare Levy) on top of the income tax you have already paid.

[3] You can read more about co-contributions in our Super Cocontribution Fact Sheet.

WAYS TO MAKE ADDITIONAL CONTRIBUTIONS

Salary sacrifice:

Please contact your HR department.

After-tax contributions:

» Use BPAY® to make a one-off or regular payment.

Biller code:	200089
Reference no:	your unique customer reference number

» Set up regular contributions from your pay
Download the Contributions Form at nationwidesuper.com.au/forms
Note: You can find your unique customer reference number by logging into your online account at nationwidesuper.com.au/login or by contacting us.

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Advice that's right for you

Good financial advice is about making the most of what you have to help achieve your goals. That's what we offer—general information, personal advice over the phone, Retire Ready meetings (often at no cost) or comprehensive personal advice (complimentary first meeting).

Find out more at nationwidesuper.com.au/advice

We're here to help

If you have any questions, please contact us:

- call 1800 025 241 (Monday to Friday 8.30am to 5.30pm AEST)
- email enquiries@nationwidesuper.com.au
- visit nationwidesuper.com.au

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