

canberra times: q&a

Q 1: Following your column last week can you please clarify for me 1) Your reply suggests public service employers do not pay 9% SGC. Is this correct? 2) What is the similar salary cap for public servants where the employer contributes to AGEST?

Withheld, Canberra

A 1: To make sure you do not exceed the maximum superannuation concessional contribution limit of \$25,000 for the 2012 / 2013 financial year, regardless of your age, then it is important to understand what superannuation fund your employer contributes to and how much of their contributions count toward this limit.

For most employees, their employer (a normal private business) is required to contribute 9% of their salary to superannuation on the members behalf (increasing up to 12% in coming years). This contribution is normally a pre tax contribution where the employer claims a tax deduction for this expense to their business. This contribution then is considered a concessional superannuation contribution and counts towards the \$25,000 maximum concessional contributions limit.

Some employers contribute more than 9% pa to superannuation for their staff, as an additional benefit for reward or as an incentive to attract staff. Where this additional contribution (ie an additional 2% pa to take total contributions to 11% pa) is made in pre tax dollars (as would be the normal case) then the whole amount of the contribution of 11% would could towards the \$25,000 limit.

Where it comes to employees of the Government then different calculations apply depending upon the superannuation fund being contributed to. For example, where a member is contributing to the CSS or PSS then between 2% and 3% pa of the members salary is counted towards the \$25,000 concessional contribution limit, which is the Productivity Contribution and the actual figure depends upon the members' actual salary. So, while only 2% to 3% of the employee's salary counts towards the concessional limit, the employer is actually effectively contributing a benefit of between 11% pa and 21% pa of the employee's salary. As the Government is not a normal business paying taxes, then most of this contribution is unfunded and does not count towards either the concessional or non-concessional limit (which is normally \$150,000 pa).

Some employees of the Government will be contributing to the accumulation style (and funded) plans of PSSAP, AGEST or one of your own choice, as the PSS and CSS have been closed to new members for many years. Depending upon your employment arrangement, your employer will now be contributing funds into superannuation as a concessional contribution, which is a minimum of 9% pa, but often 15.4% pa. This whole amount will count towards the \$25,000 concessional contribution limit.

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So in summary, it is important to know how much your employer is contributing to super as a concessional contribution so you can calculate the amount. From there, you can work out how much you can salary sacrifice to super and remain under the limit.

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