# canberra times: q&a

**Q 1: I am 63 years old and 8 years ago resigned from the Australian Public Service (APS). I currently receive about $31,000 from a CSS super pension. I took a 'semi-retirement' job for which I got paid $29,000 last year. My partner and I have no mortgage and no debts. She currently works for the Australian Public Service. I decided early this year to sacrifice 100% of my salary into super in order to take advantage of the tax concessions. To my horror I discovered after some time that my employer does not pay any of the 9% super guarantee contribution (SGC) since they say my salary is in effect zero. Apparently there is nothing in our industry award compelling them to calculate SGC on an employees' full salary before deducting any salary sacrifice amounts. Is this normal practice? My partner salary sacrifices $25,000 without any deductions from SGC while my son salary sacrifices to buy a car (ACT Public Service) and no change to SGC. Others I have spoken to say my employer should be paying me the SGC. What are your opinions on this subject? I may not be having any tax benefits if I am losing the 9% of my income?**

Withheld, Canberra

A 1: It is true that some employers calculate the SGC on an employee's lower salary after allowing for salary packaged items (including salary sacrifice to super) while other employers will pay SGC based on an employee's overall gross salary package (often called their salary for super purposes) which in effect will not reduce should the employee salary package. How an employer will treat an employee's situation will depend upon any employment agreement or industry award that may be in place.

Assuming that your employer is within their rights to pay based on the award then it would appear that they are not doing anything "wrong" as they would not need to pay 9% SGC on a Nil gross salary (as you have salary sacrificed 100% of your earnings). However, it would be understandable to have a bad taste in your mouth with an employer taking this approach as they have in effect taken advantage of you being conscientious and salary sacrificing to superannuation by reducing their overall costs associated with you as an employee.

For example, in a normal year where you do not salary sacrifice to super then your employer would pay you the gross wages of $29,000 pa plus 9% SGC ($2,610 pa) for a total annual cost of $31,610 pa. When you do salary sacrifice 100% of your pay to super then your employer has taken advantage of this situation and saved themselves $2,610 pa in SGC payments.

Salary sacrificing 100% of your $29,000 wages last financial year would have saved you some $3,885 in tax (recognising tax saved on these wages over your CSS pension, and allowing for $4,350 paid in 15% super contributions tax), but cost you $2,610 in SGC payments. So all up, you are still $1,275 better off.

It would certainly be best practice for an employer to have a set salary for super purposes, as quality employers do take this approach as will employers of choice in the future. The APS



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also takes this approach which is why your partner and son's SGC payments have not been reduced after salary packaging.

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