

# **POLICY: EXEC-OD-005 EMPLOYEES SUPERANNUATION ARRANGEMENTS**

## **PURPOSE**

The current taxation laws in relation to concessional superannuation could have a detrimental effect on some employees who due to their remuneration package and their contribution to superannuation, may find that they may exceed the permitted threshold for concessional superannuation contributions per annum.

The employee can contribute as much as they like into Super, however there are limits on how much can be contributed before extra tax is payable.

The purpose of this Policy is to provide options for where employees may contribute, without penalty, any additional superannuation (Other than the Super Guarantee contribution).

## **DEFINITIONS**

### **Concessional (before Tax) Contributions**

Concessional contributions are contributions made into a Super fund **before** any tax is paid;

1. Compulsory super payments (SG) made by the City
2. Salary sacrifice contributions
3. Costs the City pays on behalf of the employee i.e. administration fees and insurance premiums

Once in the Super Fund, these funds are taxed at the statutory rate.

### **Non-Concessional (After-Tax) Contributions**

Non-concessional contributions are generally contributions that the employee makes into their super fund **after** tax has been paid on them. Personal contributions that the employee makes from their after-tax salary that they are not allowed to claim as an income tax deduction.

### **Contribution Caps**

This is the amount set by the Federal Government and employees should satisfy themselves as to the financial benefits of utilising this policy.

## STATEMENT

1. Employees are entitled to the superannuation guarantee (9.5% as at 1 July 2014) contributions from the employer, if they are paid \$450 or more (before tax) in a month. This applies to all staff who are full time, part time or casual or a temporary resident of Australia. .
2. Employees will have the choice to put this superannuation into a Superannuation Fund of their choice.
3. The City provides various additional superannuation incentives for staff;
  - i. For staff who have completed 10 years or more of service.
  - ii. For all staff who contribute up to 5% of their own, the City will match that contribution.
  - iii. Employees can also make additional superannuation contributions as a salary sacrifice or contribution option (before/after tax).
4. There is a concessional superannuation limit as above per annum for employees' total contributions (including the City's contributions) to be paid into a scheme, this is taxed at 15%.
5. Superannuation contribution, including the employee's contributions that exceeds those concessional superannuation limits may be subject to tax of 31.5% and with the 15% paid by the Super Fund, this will equate to 46.5%.
6. To overcome the negative impact of excess superannuation tax, the City will offer employees the option of 'redirecting' those over the limit contributions, including the City's matching component into superannuation schemes, post tax.
7. Employees will have to make payments of the Council contributed amount (net of tax) and an equivalent matching payment from their own resources into their nominated super scheme.
8. The other Superannuation options detailed in clause 3 of this policy may also be directed into one of the superannuation schemes approved by the City.
9. The City reserves the right to review all options should legislation or circumstances change.
10. Employees are strongly encouraged to seek independent advice before entering into any agreement in relation to these super options.
11. There is to be no financial impact of the City, by employees entering into an arrangement.

## RELEVANT DOCUMENTS

Nil