



# GROW YOUR SUPER AND PAY LESS TAX IN ONE MOVE

Not only can before-tax super contributions grow your super faster, you may also pay less tax. Let's see if this strategy can work for you.

## What are before-tax super contributions

A before-tax super contribution is the money your employer puts into your super account before any tax is taken out. Before-tax contributions include compulsory 11% employer contributions and any extra amounts your employer agrees to pay for you. These extra before-tax contributions are often referred to as 'salary sacrifice' contributions.

## Why make before-tax contributions?

**Reduce your tax and get more money for your super.**

Depending on your personal situation, making before-tax contributions may reduce your taxable income and the amount of tax you have to pay.

Additionally, if you earn less than \$250,000 pa, you only pay 15% contributions tax on the before-tax contribution amount instead of your personal income tax rate, which can be up to 47%, including Medicare Levy.

## Comparing before-tax and after-tax contributions

A person earning \$100,000 pa can contribute the same net amount to super but take home an extra \$2,294 pa by making before-tax contributions rather than after-tax contributions.

**Before-tax versus after-tax contributions\***

	Before-tax contributions	After-tax contributions
Gross salary	\$100,000	\$100,000
Before-tax contribution	-\$11,765	Nil
Taxable income	\$88,235	\$100,000
PAYG tax	\$20,908	\$24,967
After-tax contribution	Nil	-\$10,000
Take home pay	<b>\$67,327</b>	<b>\$65,033</b>
Net super contributions	\$10,000	\$10,000

\*Calculations correct as at June 2023.

**Note:** Before-tax contributions are taxed at 15%. PAYG tax is calculated using personal marginal income tax rates plus 2% Medicare levy with a tax-free threshold. Assumes Tax File Number (TFN) is provided to the fund receiving the contributions. This is a simplified example for illustrative purposes only. Your individual circumstances will differ.

**i** If you haven't provided us with your TFN your before-tax contributions will be taxed up to 47%.

## How to arrange before-tax contributions

Making extra before-tax contributions is a benefit your employer may provide. You need to check with your employer if they'll make extra before-tax contributions for you. If so, they'll give you the forms you need.

Most employers require your before-tax contribution agreement to remain in place for at least a year.

## How contributions are taxed

You can make two types of contributions to your super.

### Before-tax contributions

This is money you put into your super before tax is taken out. Before-tax contributions are also referred to as 'concessional contributions' or 'salary sacrifice' and are taxed at 15% in super if you earn less than \$250,000 pa or at 30% if you earn more.

If you earn less than \$37,000 pa the government will pay a Low Income Superannuation Tax Offset to your super account of up to \$500. This effectively removes the 15% tax you paid on your before-tax contributions.

### After-tax contributions

This is money you put into your super from your take home pay after your tax is taken out. After-tax contributions are also referred to as 'non-concessional contributions' and aren't taxed in super.

## How much you can contribute

Because of the tax breaks you receive when putting money into super, the government limits how much before-tax money you can contribute to \$27,500 pa.

Amounts over this limit are taxed at your marginal tax rate, along with an interest charge. For more information read our **How much can I add to my super account?** factsheet at [mine.com.au/super-factsheets](http://mine.com.au/super-factsheets)

## Are before-tax contributions preserved?

Yes, the money you contribute must stay in super until you're eligible to access it. This means turning age 60 or slightly earlier if you're born before 1 July 1964, and retiring.

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
After 30 June 1964	60

## Checklist for making before-tax contributions

Before making before-tax contributions check how it will affect:

- your ability to receive government co-contributions.
- other benefits your employer provides to you, such as overtime and holiday loadings.

Making before-tax contributions can be complex. We recommend you seek financial advice before entering into a before-tax contribution arrangement with your employer.

### Need more information or advice?

If you have any questions or need help call us on 13 64 63, Monday to Friday, 8am to 6pm or email [help@mine.com.au](mailto:help@mine.com.au)

Mine Super Financial Advice can provide you with free phone-based advice about your super.

**Mine Super** | T 13 64 63 | F 02 4962 3469 | E [help@mine.com.au](mailto:help@mine.com.au) | [mine.com.au](http://mine.com.au)

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