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Government to hit the salary sacrifice rort robbing workers

The salary sacrifice rort hitting workers will be banned. *Photo: Getty*

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The government is moving to stop bosses from using the superannuation salary sacrifice of their employees to reduce their own compulsory superannuation guarantee payments.

It may sound unbelievable, but the law as it stands lets bosses divert the extra money you choose to put into super and substitute it for the money the law says they have to pay you, which is 9.5 per cent of your salary.

Research by building industry super fund Cbus and Industry Super Australia has **found** that employers are taking advantage of the loophole to the tune of $1 billion a year.

When ISA uncovered the rort late last year, officialdom appeared to take the news in its stride. ATO superannuation deputy commissioner James O'Halloran and Treasury official Jenny Wilkinson **told** the Senate estimates were probably overestimated.

But the government has come round to the view that it's a problem, with Revenue and Financial Services Minister Kelly O'Dwyer promising legislation to ban the practice on Friday.

ISA public affairs director Matt Linden said the group's analysis of ATO data had found workers were owed around $5.6 billion in super under or non payments in 2013/14. Unpaid super affects almost 3 million or 32 per cent of super-entitled workers at an average of $2,025 each.

While the move against salary sacrifice rorts was positive, a more comprehensive solution is needed to the problem, he said.

“Every month that passes without a comprehensive solution to unpaid super millions of Australians are being shortchanged on their retirement savings,” Mr Linden said.

“There seems to be inadequate emphasis being placed on the key measures really needed to tackle the problem.”

Salary sacrifice is a useful way for people to put a little more into super and get a tax benefit to help boost their account.

If you want to use it you can make arrangements with your boss to take an agreed amount out of your salary and direct it to your super fund.

You obviously have to do without the cash until retirement, but there's a hidden sweetener in the deal.

Your salary gets taxed at your marginal tax rate, anywhere from 19 per cent plus the 2 per cent Medicare levy, to a maximum of 49 per cent, depending on how much you earn. But super contributions get paid at only 15 per cent.

So if you salary sacrifice, you move your tax rate on the money you save from your top marginal rate to 15 per cent.

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