

Salary sacrifice contributions

2026–27

Salary sacrifice involves giving up part of your pre-tax salary in return for extra super contributions. This has the following consequences:

- Your salary decreases, so your taxable income decreases, and you pay less income tax.
- The contribution is taxed at 15% going into the fund. For people on low incomes (taxable income up to \$45,000, taxed at 16%), the benefit is small — the gap between 16% and 15% is marginal, and for very low earners the strategy can leave you worse off.
- If your income plus your before-tax super contributions exceeds **\$250,000**, the contributions above that threshold are taxed at 30% (Division 293 tax), which reduces the advantage.
- If you are on a higher marginal rate, there is an immediate gain because the contribution is taxed at 15% inside the fund instead of at your marginal rate (up to 47% including the Medicare levy).
- The contributions boost your retirement savings.

How much salary can I sacrifice?

The concessional (before-tax) contributions cap is **\$32,500** per year. This cap *includes* your employer's compulsory Superannuation Guarantee contributions, so your salary-sacrifice room is the cap *minus* whatever your employer already pays in. If your total super balance is below \$500,000, you can also carry forward any unused cap from the previous five years.

I'm self-employed. Can I salary sacrifice?

Technically there is no "salary" to sacrifice if you are self-employed, but you achieve the same result by making personal contributions and claiming a tax deduction for them. You can contribute and deduct up to the same **\$32,500** concessional cap per year, on the same terms as an employee. (Lodge a *Notice of intent to claim a deduction* with your fund and receive its acknowledgment before lodging your tax return.)

Tax on excess contributions

If you exceed the concessional cap, the excess is added to your assessable income and taxed at your marginal rate, with a 15% tax offset to recognise the 15% already paid inside the fund. You can elect to release up to 85% of the excess from your super to help pay the resulting tax bill, rather than funding it from outside super.

Carry forward unused concessional contributions

If your total super balance was less than \$500,000 at 30 June of the previous year, you can carry forward unused concessional cap space and use it in a later year. Unused amounts are available for a maximum of five years before they expire. This is a useful catch-up strategy after a year of lower contributions, an inheritance, or a capital gain you want to offset.