

Superannuation for councillors

Councillors are not generally regarded as employees for taxation and superannuation purposes. As such, a council is generally not obliged to pay superannuation contributions for councillors.

However, where a council resolves unanimously to be an 'eligible local governing body' under the Tax Act, councillors are regarded as employees and superannuation guarantee contributions (9% of ordinary time earnings) must be paid. No local government in Queensland has taken this option at this time.

If a council has not resolved to be an eligible local governing body, section 238 of the *Local Government Act 1993* prescribes the extent to which councils are able to make superannuation contributions for councillors:

- > Each council decides whether or not it is prepared to offer contributory superannuation arrangements for its councillors.
- > If a council decides to make contributory super arrangements available, then individual councillors can decide whether or not to participate. Councillors must make contributions themselves if they wish to receive the superannuation support from council.
- > Under advice from the Australian Taxation Office dated 13 August 2007, councillors may enter into agreements with councils to sacrifice part of their remuneration into super. Such contributions are treated similarly to employer contributions, and taxed at 15%.
- > As councillors are not employed by the council, they may qualify for a tax deduction for any standard member contributions or voluntary contributions they make, providing the income they receive from employment is no more than 10% of their total income. Remuneration from council is not considered income from employment. You should advise LGsuper that you would like to claim a tax deduction when the contribution is made. See our *Tax deduction for personal contributions info sheet* for more details.
- > The standard contribution rates are 6% of income by councillors and 12% of income by councils. Councillors can elect to contribute less than 6%, in which case the council contributions will be scaled down proportionately so that council pays twice the member rate. Councillors can change contribution rates. This includes the option of ceasing contributions by selecting 0%. In that case, the council contributions would also reduce to nil.

Councillors can also make top-up contributions above the standard maximum rate of 6%, but these do not attract a council subsidy.

Which superannuation fund?

Contributions can be made to LGsuper or to any other complying superannuation fund.

Salary sacrifice

As a result of an amendment to the *Local Government Act 1993*, councillors can salary sacrifice up to 50% of councillor remuneration in pre-tax superannuation contributions. These salary sacrifice contributions are treated as employer contributions from the council.

For a salary sacrifice arrangement to be effective for taxation purposes, it must take the form of a written agreement that relates only to prospective earnings. If the agreement attempts to include income earned prior to the date of the agreement, it will be treated as ineffective and the income will be taxed as ordinary earnings.

Any questions?

LGsuper is here to help. Contact us on 1800 444 396 to talk through your options and have your questions answered.

This info sheet has been prepared by the Queensland Local Government Superannuation Board (AFSL 230511 RSE Licence No. L0000178) on behalf of the Local Government Superannuation Scheme (ABN 23 053 121 564 RSE Registration No. R1000160). Information on products offered by the Board can be found in our product disclosure statements.

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