

## GUIDE

### Member and Employer contributions deductions.

Member and Employer contributions are the only two Superannuation contributions allowed for both mandatory contributors (PNG Citizens) and Voluntary contributors (Expatriate and self-employed).

- **Member contributions are calculated on the Total Taxable Salary and deducted after tax.**

- ✓ This will be deemed as contributions after tax
- ✓ Mandatory contributions is at 6% and additional contributions can be made.
- ✓ Voluntary contributors can contribute any amount

- **Employer contributions are calculated from the Total Taxable Salary and deducted before tax.**

- ✓ This will be deemed a contribution before tax
- ✓ Mandatory contributors is at 8.4%
- ✓ Voluntary contributors can contribute up to a maximum of 15%. This can be done through Salary Packaging and it depends on what the employee and employers agree upon.

Note: Specifically excluded for the application of superannuation from an employee's gross basic salary is **overtime pay, allowances, salary sacrifices, bonuses and compensation or any gifts made by an employer.**

Salary packaging is allowed as long as the employer and employee have agreed to such an arrangement in writing and the agreed arrangement is long term. This means in order for a contribution to be made on your behalf (employee) it must come from the Employer. Therefore, your employment contract should be amended to show a taxable salary component and a superannuation component. The superannuation component cannot be more than 15% of the taxable salary component.

Example 1      Taxable salary K100,000                      super contribution K15,000.

This is allowed as long as it is clearly stated in your employment contract or contract addendum. If you are currently paid K100,000 and you wish to adjust to include a super contribution then the contract addendum should be changed to:

Example 2      Taxable salary K87,000                      super contribution K13,000

This keeps the contribution within the 15% limit and it also must be clearly stated in your employment contract or contract addendum