

IN THIS NEWSLETTER

- Changes to the way in which the Super Guarantee is to be calculated
- Reasons for the change
- The date the change is effective
- A checklist of what's in the new calculation and what's not

NOT MUCH TIME ? READ HERE

From 1 July, 2008 Employers must use Ordinary Time Earnings (OTE) to calculate the Super Guarantee for their employees.

OTE are generally earnings based on an employee's ordinary work hours and does not include overtime.

More information can be obtained from visiting the Australian Tax Office's (ATO's) website — www.ato.gov.au

You can also phone the ATO **13 10 20** between 8.00am and 6.00pm (ESDST), Monday to Friday and ask to speak to a Tax Officer

GOT A LITTLE MORE TIME ? READ HERE

Overview: The Australian Tax Office is changing the way in which the Super Guarantee (SG) contributions for employees is calculated. SG contributions will be based on Ordinary Time Earnings (OTE). This change is effective 1 July, 2008.

OTE are generally earnings based on an employee's ordinary work hours and does not include overtime but includes over-award payments, commissions, shift allowances and paid leave.

Background to the change: Whilst most employers already use ordinary time earnings to calculate super guarantee contributions, not all have been required to. Some employers for example calculate SG contributions on earning bases contained in:

- an industrial award
- an existing employment agreement between employee and employer
- a super fund's trust deed, or
- a Commonwealth, State or Territory Law.

The change from 1 July, 2008 will see a more consistent earnings base used in the calculation of SG contributions. **All employers should check their current superannuation arrangements now to see if they are using an earnings base other than ordinary time earnings to calculate super contributions.**

Note: the "maximum contribution base" can still be applied. This is \$36,470 p.q. for the 07/08 year.

A checklist is attached which shows what payment types are included in OTE.

MORE INFORMATION

More information can be obtained from visiting the Australian Tax Office's (ATO's) website — www.ato.gov.au

You can also phone the ATO **13 10 20** between 8.00am and 6.00pm, Monday to Friday and ask to speak to a Tax Officer

Technical references: Superannuation Guarantee Rulings: SGR 94/1, SGR 94/4, SGR 94/4A, SGR 94/5 and SGG 94/5A,

APRIL, 2008

Strictly Super is a Corporate Super consulting firm with offices in Brisbane and Sydney. We specialise in consulting to corporate groups.

Our **Brisbane office** contact details are:
GPO Box 2220
Brisbane Qld 4001

Ph: 07 3010 9799 or 1300 736 623
Email : info@strictlysuper.com.au

Our **Sydney office** contact details are:
GPO Box 850
North Sydney NSW 2059

Ph: 02 9929 6121 or 1300 736 623
Email : info@strictlysuper.com.au

SOME THINGS TO CONSIDER BEFORE 1 JULY 2008

Make sure you:

- review the earnings base for all your employees to ensure you are calculating your super contributions based on ordinary time earnings
- review the 'Checklist for ordinary time earnings' to see what is included and excluded from ordinary time earnings
- update your software and payroll systems
- include performance based bonuses when calculating the super guarantee (some bonuses do not apply, for example Christmas bonuses). Unless previous agreements preclude this, you could consider changing your bonus programme to include a Super Guarantee component within the bonus
- include allowances when calculating the super guarantee (there are exceptions for re-imbursments or fully expended allowances)
- include employee commissions when calculating the super guarantee
- consider the cost impact on your business if you are required to increase your super contributions
- have the correct systems ready to handle any change in your super contributions, and have a strategy to inform your employees of possible changes to their super contributions.

CHECKLIST FOR ORDINARY TIME EARNINGS

Payment type	Ordinary time earnings
Expense allowance that is paid with the expectation that it will be fully expended in producing income (for example, car allowance paid to real estate agents)	No
Allowances paid (other than a reimbursement of expenses or expense allowance)	Yes
Reimbursement of expenses (for example travel costs)	No
Bonuses that don't relate to specific performance criteria (for example Christmas bonuses)	No
Other bonuses	Yes
Commission	Yes
Over-award payments	Yes
Shift loading	Yes
Overtime	No
Casual loading	Yes
Benefits subject to fringe benefits tax (FBT)	No
Workers compensation payments, including top-up payments where no work is performed	No
Workers compensation payments, including top-up payments, paid by the employer, where work is performed	Yes

NEWSLETTER TO EMPLOYERS



Top-up payments (for example when serving on jury duty or with reserve forces)	No
Payments when on maternity or paternity leave	No
Pay for annual holiday leave taken	Yes
Government wage subsidies (for example Wage Subsidy Scheme allowance)	Yes
Annual leave loading	No
Pay for sick leave taken	Yes
Pay for long service leave taken	Yes
Accrued annual leave, long service leave and sick leave paid as a lump sum on termination	No
Payments in lieu of notice	No
Redundancy payments	No
Other payments paid by an employer on termination of employment	No
Director's fees	Yes
Payments for performance in, or provision of services relating to entertainment, sport, promotions, films, discs, tapes, TV, or radio	Yes
The labour portion of payments to contractors who are employees for super guarantee purposes	Yes
Dividends	No
Partnership and trust distributions	No
Payments for entering into a restraint of trade agreement	No
Payments for domestic or private work under 30 hours per week	No

This newsletter has been prepared on a general advice basis only. The information has not been prepared to take into account your Company's specific objectives, needs and financial situation. The information may not be appropriate to your individual or Company needs and you should seek advice from other specialist adviser/s before making any decisions.