

Changes to 9% Superannuation Guarantee

From 1 July 2008, the definition of ordinary time earnings will apply to all employer contributions in the calculation of the 9% contribution level.

Ordinary time earnings

Ordinary time earnings (OTE) are generally defined as what an employee earns for ordinary hours of work including:

- over-award payments;
- shift loading;
- allowances;
- commissions.

It excludes things which do not have a link to ordinary hours of work such as overtime and discretionary bonuses.

Most employees have OTE as their earnings base for the purpose of calculating superannuation contributions. However some employees have other earnings bases that may be contained in:

- an industrial award;
- an existing agreement they have with their employer;
- a fund's trust deed; or
- Commonwealth, State or Territory law.

In the past an employee may have been paid lower super contributions (as a proportion of total remuneration) when compared with another employee in similar circumstances, with an different employer. However, from 1 July 2008, the earnings base is standardised to OTE for all employees under the *Superannuation Guarantee (Administration) Act 1992*. As a

result, all employers are required to use a notional earnings base which is at least equivalent to OTE.

What needs to be done?

- Review the earnings base for all employees to ensure that you are calculating their contributions based on OTE.
- Update your software and payroll systems to reflect changes from 1 July 2008.
- Implement a strategy to inform your employees of possible changes to their superannuation contributions.

If you are currently using a different earnings base which would result in paying super guarantee of less than 9% of OTE, you will need to increase this amount to meet the minimum requirements and avoid the super guarantee charge.

Example

Motor vehicle company XYZ has been paying super contributions under an award for its employees. The award states that commission for sales people is excluded from OTE as defined in the relevant award.

From 1 July 2008, motor vehicle company XYZ includes commissions for its salespeople when working out super guarantee contributions.

(Source: ATO)

More information

For more on the definition of OTE, refer to Tax Ruling 94/4 which can be found on the ATO website.

Should you require assistance or additional information, contact

Mark Wilkinson | 02 9240 9952 | mark_wilkinson@pkf.com.au
Jennie Lynn | 02 9240 9760 | jennie_lynn@pkf.com.au
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia

PKF has offices throughout Australia:
ADELAIDE – BRISBANE – CANBERRA – DARWIN – GOLD COAST – HOBART
MELBOURNE – MOUNT BARKER – PERTH – SYDNEY – TOWNSVILLE

Disclaimer: The material contained in this publication is in the nature of general comment and information only and neither purports, nor is intended, to be advice on any particular matter. Readers should not act or rely upon any matter or information contained in or implied by this publication without taking appropriate professional advice. All financial figures are quoted in Australian Dollars unless otherwise indicated.

If you prefer not to receive this newsletter, please return your mailing label and advise us that you no longer wish to receive this information. Please address to: National Marketing Department - PKF, Level 10, 1 Margaret Street, Sydney NSW 2000 or fax to: (02) 9240 9821.