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SUPERANNUATION BULLETIN

An update publication for our clients

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Superannuation Obligations – Employer Update

In this Bulletin we discuss pending superannuation changes that may impact on existing employment arrangements in your business. We recommend you review the matters below and determine if any actions need to be taken. A number of the changes come into effect from 1 July 2013.

Increase in Superannuation Guarantee rate

The rate of contributions under superannuation guarantee increases 0.25% to 9.25% with effect from 1 July 2013. The higher contribution rate must be paid on superannuable payments made to employees on or after 1 July 2013, even if the pay relates to service before July.

You should confirm your payroll processes will comply with the new contribution rate.

The rate increase can also create practical difficulties you may need to consider and act on. For example, it is likely the majority of employees will receive less take home pay from 1 July. There may also be impacts on existing salary packaging arrangements, such as employees who are salary sacrificing extra contributions to super.

Future contribution rates

From	Minimum Contribution
1 July 2013	9.25%
1 July 2014	9.50%
1 July 2015	10.00%
1 July 2016	10.50%
1 July 2017	11.00%
1 July 2018	11.50%
1 July 2019	12.00%

Super Guarantee to apply to employees age 70 and over

Also from 1 July 2013 the upper age cut-off under superannuation guarantee is removed, i.e. super guarantee applies on eligible earnings regardless of the age of the employee/director.

You may need to commence contributing for employees over age 70. Similarly, there may be an obligation to contribute on director fees paid to directors over 70. The contribution obligation will be 9.25% of the earnings paid, or 9.25% of the maximum contribution base for the quarter, whichever is the lower amount.

Tax deductions are available on contributions required to be paid provided the contributions are paid within time. Contributions for the September 2013 quarter must be paid by 28 October 2013.

You should confirm all eligible employees will receive superannuation contributions.

Default Fund Arrangements

From 1 January 2014 employers will be required to make default superannuation guarantee contributions into an eligible default super fund. To be an eligible default super fund, the super fund must have a MySuper product offering into which the compulsory contributions are made for the default employee.

The change means you will need to confirm your existing default fund will offer a MySuper product from 1 January 2014. Super funds are currently going through the MySuper authorisation process, which is expected to be finalised towards the end of the 2013 calendar year.

If your current default fund will not offer a MySuper product, you will need to go through the process of selecting a new eligible default fund.

A breach of the new payment rules may result in a financial penalty.

New Contribution Payment and Data Rules

The Government has passed legislation that will require employers to make superannuation contribution payments to super funds electronically. The legislation also requires electronic transfer of contribution remittance information with the payment.

The new rules are stated to apply to employers with 20 or more employees from 1 July 2014. For employers with less than 20 employees, the new rules are stated to commence from 1 July 2015.

We expect solutions will generally be provided by payroll software suppliers. Superannuation clearing houses may need to be considered if you do not have electronic payroll processes.

Payslips and Contribution Reporting

It is still uncertain whether the Government will press ahead with rules requiring employers to report on payslips both the amount of super contributions and the date paid. The changes were expected to commence from 1 July 2013.

Regulations prescribing the information to be included on payslips are yet to be released. Given the lead in time required to comply it is more likely the changes will be postponed further, however employers will need to continue to monitor.

Further information

Please ask your regular Pitcher Partners contact or any of the contacts below for further details on the issues raised in this Bulletin:

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