

## DEPARTMENT OF HUMAN SERVICES (DHS)

From June 2013 the Department of Human Services (DHS) will implement its 'Move payment summaries online' strategy. All parts of government are moving to an electronic form of communication with us.

This covers people who receive Australia Government payments, pensions & allowances.

DHS will notify affected people of the change & that electronic or paper payment summaries will still be available on request.

If you receive DHS payments and are required to lodge an income tax return – when you lodge electronically, the pre-filling service will automatically populate payment summary data.

If you would like to receive a paper copy of their payment summary, you can request this through a range of self-service channels.

### ATO – PAYG PAYMENT SUMMARIES – EMPLOYMENT TERMINATION PAYMENTS & CODES

The ATO made changes to employment termination payments (ETP) on 1 July 2012 and have therefore updated the *PAYG payment summary – employment termination payment* to include new ETP codes. The codes describe the type of payment and will ensure the correct rate of tax is applied.

If you are paying ETPs in this income year, they will need to be the new PAYG payment summary – employment termination payment & codes.

If you are receiving an ETP in this income year, you must show the ETP code in your 2013 tax return so the ATO systems know what type of payment it is. If you do not receive the new payment summary with the ETP code, you will need to contact the payer.

### ATO – SUPERANNUATION CHANGES FROM 1 JULY 2013

Changes effecting employers from 1 July 2013:

Increase in the minimum rate for super guarantee payments on behalf of employees from 9% to 9.25%

Start making super guarantee payments for employees aged 70 years or older, as the existing upper age limit will be removed.

Find out more, refer to the ATO website

## ATO Key Lodgement Dates

These dates are from the ATO website & do not take into account possible extensions. Contact us to establish when your information is required for lodgement. You remain responsible for ensuring that the necessary information is with us in time.

BAS/IAS Monthly lodgement – March Activity Statement: 21<sup>st</sup> April13 final date for lodgement & payment

BAS/IAS Monthly lodgement – April Activity Statement: 21<sup>st</sup> May13 final date for lodgement & payment

3rd Quarter of FY2013: BAS lodgement – March Quarter (including PAYG) 28<sup>th</sup> April13 final date for lodgement & payment.

Superannuation – 3rd Quarter of FY2013: SGC March Quarter 28<sup>th</sup> April2013 final date for lodgement & payment.

Refer to the ATO for details regarding the Superannuation guarantee Charge applicable. If you do not pay the SGC by this date the SGC is not tax deductible.

Where a due date falls on a day that is not a business day (that is, the due date is a Saturday, Sunday or public holiday), lodgement or payment may be made on the first business day after the due date without incurring a penalty or general interest charge(GIC).

## SUPER GUARANTEE RATE GOES UP

### Superannuation Guarantee Rate - which one applies for when?

#### IT IS ABOUT THE DATE THE PAY (Ordinary Time Earnings) IS PHYSICALLY PAID!

For pays actually paid before 30th June calculate the super at 9%

If the pay is paid after 30th June then the super amount is calculated at 9.25%

#### Background:

As you are aware, the MRRT package of reforms included the increasing of the Superannuation Guarantee Rates from 9% for before 30 June 2013 to 9.25% from 1 July 2013.

#### The question is: To what amounts is the 9.25% applied?

Is it only to salary and wages (OTE) accrued after 30th June 2013?

Is it only to all payments for salary and wages (OTE) paid after 30th June, irrespective of when they are accrued?

One (incorrect) thought was that the 9.25% applies to any "payments" of the **super** made after 30th June. This would have been really complicating for business who have accrued at 9%.

Another thought has been that: in terms in the SG Administration Act of "paid for the quarter" could be read in a number of manners with the emphasis being on "paid" as in date of payment of the super, or the emphasis being on "for the quarter" which means when it was accrued.

#### The Correct Answers

9% applies to all pay physically paid before 30th June

9.25% applies to all pays physically paid after 30th June

#### Practical Examples

1. If on the 2nd July 2013 a payment of wages (OTE) is being made for the previous month, which rate applies? Is it 9% as it was for the quarter before the change or does 9.25% apply as it was paid after the date of change?

**Answer:** On 2 July 2013 the wages are paid to an employee for June 2013. The SG contribution is to be calculated at the 9.25% rate.

If the wage was PAID in June but on 2 July 2013 the SG contributions are made on, the SG contribution is to be calculated at the 9% rate.

2. Alternatively if the payment was on the 2nd July for the week so that 5 days was pre 30 June and 2 days after 30 June is the rate different i.e. 9% for the 5 days pre 30 June and 9.25% for the 2 days after?

**Answer:** On 2 July 2013 OTE is paid to an employee that relates partly to unpaid wages accrued up to 30 June 2013 and partly to work performed after 30 June 2013. The SG contribution is to be calculated at the new rate of 9.25% on the full amount of OTE which is paid on 2 July 2013.

3. If the employer pays the superannuation LATE ie after 28th July then the Super Guarantee Charge calculations come into play and it would assess the charge at the new rate of 9.25% against the OTE for the previous quarter. Is this correct?

**Answer:** Superannuation guarantee (SG) contributions are payable as a percentage (9% or 9.25%) of ordinary time earnings (OTE) paid. Contributions are required to be paid by the 28th day after each quarter end. For the quarter end 30 June 2013, SG contributions should be paid to employee super accounts by 28 July 2013.

The ATO advises "When an employer does not meet the quarterly contribution cut-off date, they are liable for the SG charge (SGC) which is payable to the ATO. The SGC is calculated as a percentage (9% or 9.25%) of salary or wages paid.

For both SG contributions payable to funds and SGC payable to the ATO, the rate to apply (9% or 9.25%) is determined by the date on which the OTE/salary amount was paid to the employee".

4. If an employee is paid on Thursday 4th July, 2013 for fortnight commenced Friday 21st June, 2013; do they get 9.25% SGC based on whole fortnight's pay or 9.00% to 30/6/13 pay portion and then 9.25% on remainder?

**Answer:** should be clear from the above that it is related to the date of payment so it would all be at 9.25%

## **SUPER GUARANTEE RATE GOES UP.....continued**

### **Superannuation Guarantee Rate - which one applies for when?**

5. Is this Employer allowed to pay them part pay on Friday 28/6/13 with 9.00% SGC and then remainder of fortnight on Thursday 4/7/13 with 9.25% SGC?

**Answer:** Good question, we expect in a general sense the answer is NO. As you would be varying the terms of employment for the purpose of paying them less remuneration. We expect it becomes subject to the employment agreement etc etc. We would strongly recommend that any such actions were with total communication and then agreement by the employee before such action was taken.

### **THE ANSWER**

The new 9.25% rate is applied to salary/OTE amounts paid after 30 June 2013, irrespective of when those amounts accrued.

The 9% rate applies to OTE/salary paid up to 30 June 2013.

The new 9.25% rate will apply to OTE/salary amounts paid from 1 July 2013 onwards (2013-14 year).

#### **Disclaimer:**

All or any advice contained in this newsletter is of a general nature only and may not apply to your individual business circumstances. For specific advice relating to your specific situation, please contact your accountant or contact me for further discussion.