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## **CLIENT NEWSLETTER**

**21 July 2008**

### **Changes to super guarantee**

From 1 July 2008, "ordinary time earnings" are the basis for calculating super contributions for all employees, to ensure all employees are treated the same for super guarantee purposes.

Previously, an employee's "earnings base" was the basis for calculating super guarantee contributions.

"Ordinary time earnings" generally means the amount employees earn for their ordinary hours of work, including:

- over-award payments
- commissions
- allowances, and
- paid leave.

Ordinary time earnings do not include overtime that is paid for work performed outside of ordinary hours. We have included a checklist of ordinary time earnings below.

From 1 July 2008, employers need to make sure you have:

- reviewed the earnings base for all your employees to ensure you are calculating your super contributions based on ordinary time earnings,
- updated your software and payroll systems if applicable,
- included performance based bonuses when calculating the super guarantee (some bonuses do not apply, for example Christmas bonuses),
- included allowances when calculating the super guarantee (there are exceptions for reimbursements or fully expended allowances),
- included employee commissions when calculating the super guarantee, and
- informed your employees of any changes to their super contributions.

Below is a checklist that shows the type of payments included in an employee's ordinary time earnings.

<b>Payment type</b>	<b>Ordinary time earnings</b>
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)*  *Allowances paid must be in respect of ordinary hours, an overtime meal allowance for example would not be paid for work done during ordinary hours (subject to the exceptions related to overtime).	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  (However, for an employee who is required under a workplace agreement to regularly work a specified number of hours in excess of the standard 38 hours per week, ATO Interpretative Decision (ATO ID) 2007/73 states that super contributions are to be paid on the total hours worked (including those hours regularly worked in excess of the standard 38 hours per week).	No  (Subject to certain exceptions)
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
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 for 30 hours or less per week	No

Please contact us if you have any queries.

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## **What is "OBM"? Open Book Management**

The success of OBM is evident. Because OBM gets team members to feel, think and act like business owners, everybody is working towards improving the efficiency and effectiveness of the business – and therefore the financial results.

*This Newsletter, of necessity, has dealt with matters of a technical nature in general terms only. Clients should contact us for detailed information on any of the items in the Newsletter. No responsibility for loss occasioned to any person acting or refraining from acting in reliance upon any material in this Newsletter can be accepted by any member of the firm.*