

Superannuation increases on the way - are you prepared?



From 1 July 2013, the Federal Government's changes to the superannuation guarantee (SG) payments will commence, with the first of seven increases taking effect that will eventually see the current SG rate, now 9%, becoming 12% from 1 July 2019.

To avoid the SG charge, employers will need to provide increases in their minimum superannuation contributions over a seven year period as follows:

- July 2013 – June 2014 9.25%
- July 2014 – June 2015 9.50%
- July 2015 – June 2016 10.00%
- July 2016 – June 2017 10.50%
- July 2017 – June 2018 11.00%
- July 2018 – June 2019 11.50%
- July 2019 – June 2020 12.00%

The Federal government's changes also increase the age of an employee at which the superannuation guarantee no longer needs to be provided from 70 to 75 years of age and requires employers to contribute to complying superannuation funds of eligible mature age employees under the age of 75.

What payments must be made

As a minimum, employers must provide the minimum 9.25% superannuation contributions to the employees' complying funds, calculated against Ordinary Time Earnings, to avoid liability to pay the Superannuation Guarantee (SG) Charge.

The Charge consists of the shortfall in the SG payments, interest on the shortfall, and an administration fee payable for each employee, per quarter. Further penalties could also be imposed depending on the circumstances and at the ATO's discretion.

Directors should be aware that personal liability for penalties can be imposed personally equal to any unpaid amount.

Must overall pay be increased?

Whether an employee's overall pay must be increased depends on your employment agreements, and whether they require superannuation to be paid as a component of an overall salary package or TEC, or whether they simply require that superannuation is paid on top of or as a percentage of existing salary.

If the employment agreement requires that superannuation be paid on top existing salaries, you will generally need to increase the overall level of payments made to employees.

It is therefore important for you to conduct a review of your wage rates, contracts and award classifications, to ensure that your business will continue to meet its obligations, and will not be exposed to claims for back-payments and penalties, and that the business has accounted for future increases in its budgets.

If you are uncertain of your obligations and options, or seek assistance with your agreements, do not hesitate to contact your HR Legal adviser.

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