



## **Superannuation Guarantee Scheme**

*Are you an employer? If so, do you know your Super Guarantee obligations and have you met them?*

*Are you aware of the Super Guarantee regulations and have you complied with them?*

### **Super Guarantee Obligations**

1. 9% of each employee's gross ordinary wages is to be paid into a complying super fund.

An employee is categorised as follows:

- aged between 18 and 69 years
- works full-time, part-time or casual
- earns more than \$450 per calendar month
- is a contractor being used solely for labour purposes.

2. Super Guarantee amounts must be paid by the 28th day of the following month after the end of the quarter – eg 28th day of April for the March quarter.

3. These payments must be made on time or penalties will occur.

4. Super Guarantee amounts must be paid into a super fund of the employee's choice.

### **Super Guarantee Charge (SGC)**

#### ***Question***

What happens if employers do not contribute the minimum level of Super Guarantee or if they make the payment late?

#### ***Answer:***

They incur a liability for the SGC which is calculated as the sum of:

- the amount of SG shortfall for the quarter
- nominal interest component of 10% pa calculated from the beginning of the quarter
- a quarterly administration fee of \$20 per employee for whom there is a Super Guarantee shortfall.

As well as these penalties, this SGC is not tax deductible to the employer.

### **Example**

If an employer pays ordinary wages of \$5,000 and overtime of \$1,000 for the quarter and fails to pay the super guarantee on time, the SGC will be made up of:

- 9% x \$6,000 (= \$540) (once payment is late SG has to be paid on total wages, not just ordinary earnings)
- 10% pa interest on \$540 calculated from the beginning of the quarter
- \$20 administration fee per employee for whom there was a SG shortfall.

Employers should also be aware that 'Choice Penalties' apply if contributions are made to the incorrect fund.

Penalties, as well as the loss of deductibility, can amount to an increase of more than 100% in the after-tax cost of the Super Guarantee payment.

### **Superannuation Clearing House - Employers with < 20 Employees**

Employers with less than 20 employees should be aware that the Australian Government offers a free superannuation clearing house service. You can register online at <http://www.medicareaustralia.gov.au/super/> . When the time comes to make your superannuation guarantee payments, you can simply pay with one transaction and the clearing house does the rest for you.

### **Super Guarantee Audits**

The ATO have increased audit activity in this area. If you have any questions regarding Super Guarantee or you are unsure if you are meeting your obligations, please do not hesitate to contact your Client Manager.