



FACT SHEET

Superannuation

Updated: July 2017
Replaces: August 2016

The superannuation guarantee was introduced on 1 July 1992 as legislation titled the *Superannuation Guarantee (Administration) Act 1992* to ensure most employees receive superannuation support from their employers. As of 1 July 2014, the superannuation guarantee requires that employers contribute 9.5% of an employee's ordinary time earnings into a nominated superannuation fund as part of their compulsory superannuation obligations. This amount must be paid at least quarterly and is subject to future increases.

MINIMUM EARNING BASE

The superannuation guarantee provides the minimum earning base required before an employer is obliged to make superannuation contributions. Currently, an employer is required to make superannuation contributions if a permanent or casual employee's ordinary time earnings are more than \$450 (gross) in a calendar month.

However, where an award or industrial instrument provides a minimum earning base that is more favourable (ie less) than the superannuation guarantee, the employer must comply with the provisions of that award or instrument. For example, employees covered by the *Hospitality Industry (General) Award 2010* are only required to earn \$350 per calendar month before the employer is obliged to make compulsory superannuation contributions. Employers with employees covered by this Award must therefore abide by the contribution requirements of the Award.

Meaning of Ordinary Time Earnings

The Superannuation Ruling (SGR 2009/2) applies to all payments made to employees in the quarter beginning on the effective date and all later quarters. The Ruling defines Ordinary Time Earnings ('OTE') as follows:

- a) *the total of:*
 - i. *earnings in respect of ordinary hours of work other than earnings consisting of a lump sum payment of any of the following kinds made to the employee on the termination of his or her employment:*
 - a. *a payment in lieu of unused sick leave;*
 - b. *an unused annual leave payment, or unused long service leave payment, within the meaning of the Income Tax Assessment Act 1997; and*
 - ii. *earnings consisting of over-award payments, shift-loading or commission; or*
- b) *if the total ascertained in accordance with paragraph (a) would be greater than the maximum contribution base for the quarter – the maximum contribution base.*

For the purposes of the above definition, the current 'maximum contribution base' for any quarter in the 2017/2018 year is \$52,760 per quarter. This amount is subject to yearly indexation, which takes into account movements in full-time adult average weekly ordinary time earnings.

NOTE: If an award, workplace agreement or employment contract requires an employer to make contributions based on a greater amount than an employee's ordinary time earnings, the employer must comply with the requirements of that industrial instrument.

Where an industrial instrument requires an employer to contribute a lesser amount than the standard definition of OTE, the instrument will have no effect, and the employer must comply with OTE definition provided in the Ruling.

The summary table on this and the following page provides an indication of which payment types are included in an employee's OTE and therefore subject to superannuation contributions.

Super Choice

Eligible employees, as defined, are entitled to nominate into which superannuation fund the employer makes contributions. This includes employees who are employed by an incorporated company and covered by any of the following industrial instruments:

- Federal awards
- Former state awards, known as Notional Agreements Preserving State Awards ('NAPSAs')
- Another award or agreement that doesn't require superannuation support.

In addition, employees whose positions do not fall within the definitions provided in any award or who are subject to a formally approved industrial agreement such as an Enterprise Agreement (including individuals contracted principally for their labour) are entitled to super choice arrangements.

Eligible employees must be given a Standard Choice form which allows them to nominate into which superannuation fund the employer is to make contributions. Eligible employees are not required to complete the form if they do not want to nominate a fund, but an employer must give them the choice if they are eligible.

Superannuation contributions for non-eligible employees, and those eligible employees who do not nominate a fund, must be made into the default employer fund.

Exempt Employees

The superannuation guarantee does not apply to:

- Employees who are less than 18 years of age and work less than 30 hours per week; or
- Employees who are more than 70 years of age.

As such, employers are not required to make compulsory superannuation contributions for these employees.

What are Ordinary Time Earnings?

The ATO Ruling SGR 2009/2 provides the following table by way of example. The examples are not exhaustive and are only intended for general guidance.

Payments to an employee in relation to...	Salary or wages?	OTE?
Awards and Agreements		
A simple overtime situation	Yes	No
Overtime hours – agreement prevailing over award	Yes	No
Agreement supplanting award removes distinction between ordinary hours and other hours	Yes	Yes
No ordinary hours of work stipulated	Yes	Yes
Casual employee – shift-loadings	Yes	Yes
Casual employee – overtime payments	Yes	No
Casual employee whose hours are paid at overtime rates due to a 'bandwidth' clause	Yes	No
Piece-rates – no ordinary hours of work stipulated	Yes	Yes
Overtime component of earnings based on 'hourly driving rate' formula stipulated in award	Yes	No

Allowances		
Allowance by way of unconditional extra payment	Yes	Yes
Expense allowance expected to be fully expended	No	No
Danger allowance	Yes	Yes
Retention allowance	Yes	Yes
Hourly on-call allowance in relation to ordinary hours of work for doctors	Yes	Yes
Payment of expenses		
Reimbursement	No	No
Petty cash	No	No
Reimbursement of travel costs	No	No
Payments for unfair dismissal	No	No
Workers' compensation – <i>Returned to work</i>	Yes	Yes
<i>Not working</i>	No	No
Leave payments		
Annual leave	Yes	Yes
Termination payments		
Termination payments – <i>In lieu of notice</i>	Yes	Yes
<i>Unused annual leave</i>	Yes	No
Bonuses		
Performance bonus	Yes	Yes
Bonus labelled as ex-gratia but in respect of ordinary hours of work	Yes	Yes
Christmas bonus	Yes	Yes
Bonus in respect of overtime only	Yes	No

(Source: Superannuation Guarantee Ruling SGR 2009/2)

QHA members are encouraged to contact their default superannuation provider, such as Intrust Super, for more detailed advice on superannuation requirements. The QHA's Employment Relations Department does not provide specific advice on accounting and taxation matters.

Further Assistance

Financial QHA members are encouraged to contact the QHA's Employment Relations Department (refer the contact details at the bottom of this page) for a confidential discussion about the information in this Fact Sheet, or to discuss any queries relating to specific workplace matters.

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