



CSI REMUNERATION INFORMATION ALERT

Changes to the Definition of Salary for SG Contributions

Ordinary Time Earnings, as defined by the Australian Taxation Office (ATO) will be the salary basis for the calculation of SG contributions for all employers from the 1st July 2008. This means that organisations currently paying superannuation on a salary that does not conform with the ATO's definition of Ordinary Time Earnings will need to adjust the amount of SG contributions being made to staff.

The ATO's website advises that the following items are included in the definition of Ordinary Time Earnings:

- Directors' fees
- Remuneration while on annual leave, sick leave or long service leave
- Allowances (not reimbursement of expenses)
- Bonuses calculated by reference to work undertaken/sales made during ordinary hours of work
- Casual loading
- Top-up payments or accident make-up payments when the employee works
- Government (wage) subsidies

The ATO's website also advises that the following items are NOT included in the definition of Ordinary Time Earnings:

- Overtime payments
- 'Christmas' bonuses and 'ex gratia payments'
- Payments in lieu of notice
- Redundancy payments
- Other payments not covered by paragraph 18 made by employer on termination of employment
- Payments when on maternity or paternity leave
- Lump sums paid for accrued annual leave, accrued long service leave or accrued sick leave on termination of employment
- Workers' compensation payments

- ✘ Top-up payments or accident make up payments when the employee does not work
- ✘ Top up payments e.g. when serving on jury duty or with reserve forces etc.
- ✘ Benefits subject to tax under the Fringe Benefits Tax Assessment Act 1986
- ✘ Payments by way of restraint of trade
- ✘ Reimbursement of expenses
- ✘ Annual leave loading

Please note: For specific information regarding the definition of each of these items listed from the ATO's website please go to www.ato.gov.au or call the ATO's superannuation information line on 13 10 20.

In 2004, during the process of collecting and reporting on benefits trends in Australia, CSi asked 138 organisations to indicate their definition of 'salary' for calculating SG contributions. The results below indicate the various salaries currently in use. These results suggest that this issue will affect a significant proportion of Australian organisations.

Salary Used To Calculate SG Contributions	For Senior Management (% of organisations)	For General Staff (% of organisations)
Taxable Salary	51%	53%
Total Remuneration	31%	30%
Notional Salary	16%	15%
Other	2%	2%

Source: CSi's Benefits 2004 Report

Although the change does not take effect for another three years, the cost of adjusting SG contributions may be considerable for some organisations. Early planning and revisions to remuneration strategy and salary budgets may be advisable to meet the July 2008 requirement without detrimentally impacting business results.

To discuss this issue or CSi's services, please contact CSi's Business Development Manager, Paul Wright, on 61 2 8440 6500 or pwright@csirem.com.au