

Client eBrief



Salary Sacrifice and Superannuation Guarantee (SG) Law

Applying SG Law to Salary Sacrifice Packaging

Scenario

Discussion with a new employee, negotiating salary package including salary sacrifice options on offer and in the spirit of the law with the desired SGC outcome:

"We are prepared to offer you the position with a total package of \$100k plus superannuation, being a total package of \$109,500. We are prepared to package up this offer provided a minimum of \$9,500 superannuation is paid."

Employee Options

These dates are from the ATO website and do not take into account possible extensions.

You remain responsible for ensuring that the necessary information is with us in time.

BAS/IAS Monthly Lodgement

– April Activity Statement: 21st
May 2020 final date for lodgement and payment.

BAS/IAS Monthly Lodgement

– May Activity Statement: 21st
June 2020 final date for lodgement and payment.

The employee could arrange for a salary sacrifice component for a car of \$20k, and then the package would be \$80k wage, \$20k car and \$9,500 super.

If the employee just wanted to package up so there was a total of \$15k super, then the package could be \$94,500 wage and \$15k super made up by \$9,500 SG and \$5,500 RESC, so even though the SG at 9.5% of \$94,500 would only be \$8,977.50, the new law requires the original amount of OTE (Ordinary Time Earnings – being the \$100k) to be used as the basis for the SG obligation.

Salary Sacrificing Super

An employee may agree to sacrifice part of their salary or wages to their superannuation fund from their gross earnings. It's important for the employee to review and understand the above thresholds to ensure the total of salary sacrifice and super guarantee do not exceed the threshold.

Benefits

- not considered a fringe benefit
- reduces employee's taxable income
- super contributions taxed at concessional rate within the fund
- tax deductible for the business where the employee is under 75 years old

Salary sacrifice payments are considered to be an employer contribution and therefore can be submitted quarterly. The ATO has removed any references to payment dates other than the required quarterly payments as per SGC law. The ATO used to 'recommend' that post-tax contributions should be paid monthly, however this is no longer mentioned on their website. The timing of this payment is governed by an agreement between the employer and employee, otherwise the quarterly contribution remains.

Changes from 1st January 2020

From 1st January 2020, salary sacrificed super contributions cannot be used to reduce your super guarantee obligations, regardless of the amount your employee elects to salary sacrifice.

This means the salary sacrificed amount does not count towards your super guarantee (SG) obligations.

A further change is that the super guarantee will be 9.5% of the employee's ordinary time earnings (OTE) 'base'. The base is the sum of:

- the employee's OTE
- the amount salary sacrificed from the employee's OTE

You need to review your salary sacrifice arrangements to make sure you are:

- using your employee's OTE base to calculate your SG obligation
- not counting salary sacrificed amounts towards the minimum amount of SG you are required to pay
- checking that all your systems correctly calculate your SG obligation

3rd Quarter of FY 2020: BAS Lodgement – March Quarter 2020 (including PAYGI) 28th
April, 2020 final date for lodgement & payment

4th Quarter of FY 2020: BAS Lodgement – June Quarter 2020 (including PAYGI) 28th
July, 2020 final date for lodgement & payment

When a due date falls on a Saturday, Sunday or Public Holiday, you can lodge or pay on the next business day.

A public holiday is a day that is a public holiday for the whole of any state or territory in Australia

Due date for super guarantee contributions, for:

4th Quarter of FY 2020, April to June 2020 – contributions must be **in the fund** by 28th July 2020.

Late payments of superannuation are **not** tax deductible.

Note that the deduction is allowed in the year that the payment is made. Therefore, for the fourth quarter, if the business wants to claim the tax deduction in the same financial year as the SGC is incurred, the payment must be received into the super fund by that 30 June.

Refer to the ATO for details regarding any SGC charges applicable if not paid by due date.

SG Amnesty is currently available for late/ overdue super up to March 2018. Please note this Amnesty finishes on 7th September 2020.

If your business has late/overdue super-annuation

guarantee payments and you are unsure the correct process of how to proceed in regards to this, please contact us to discuss.



Working From Home: Digital Security

Now that many small businesses have settled in to a new way of working, with many staff working from home, it is a good time to consider **digital security**; a time to look at backup plans to ensure data access, protection and retrieval.

You will need to consider security measures for your employees' home or remote networks. If an employee connects to an unsecured Wi-Fi network, your data and information may be exposed to cyber threats.

While a few employees may be able to complete some work directly from a laptop or computer, most will need access to your systems to complete their tasks.

Here are some points to consider:

- Do these employees need VPN access?
- Do you have enough licenses for everyone who needs to log in?
- Do your employees know how to connect?
- Do they know who to contact if they have connectivity or software issues?
- For those who need access to files and systems, do they have an appropriate access level?
- Have your employees been trained in how to handle potential sensitive or protected information they access while off-site?
- Can your network handle an unusually high volume of simultaneous traffic created by employees working remotely during a disruption?

General Backup Plan

Isolate sensitive information

- Identify where sensitive information is stored/processed
- Identify the means to back up sensitive information
- Determine the means to prioritise high level, sensitive, and important information on recovery

Back up important business data

- Identify important business data on desktops and mobile devices
- Working files
- Emails or other recorded business communications (chat/phone calls)
- Invoices
- Tax/financial information
- Employee and customer records
- Identify backup points and replication targets
- Identify backup and disaster budget

Protect hard copy data

- Identify important documents saved as hard copies
- Contracts with suppliers or customers
- Employee information
- Tax or financial information
- Ensure documents are kept in safe places – and ensure digital copies exist

With Australians working, studying, shopping and socialising online during the COVID-19 crisis, scammers are increasing their efforts to steal people's personal or financial details. Similarly, scammers are using people's reliance on connectivity at this time to mislead them into thinking that their NBN service will be disconnected if they do not provide a "technician" with online access to their computer.

NBN Co's Top Tips

Top Tips for Working Securely at Home

- Protect your work laptop or devices by not leaving them unattended in unsecure areas and locking the screen when you are away from the device.
- Do not allow family to use your work devices or passwords as they could accidentally erase or modify important work information, or unknowingly infect your device.
- Protect your home wireless network with a password and change the default administrator password on your home router using the instruction guide for your router.
- Never reuse passwords – if one site is compromised then others are too. Consider a password manager if you are finding it complicated to keep track of your passwords.
- Devices should never be left where others can see them (e.g. inside a car if you decide to duck down to the shops, or visible within a room if someone is walking past a window at street level.)
- Shred documents to dispose them securely. If you do not have access to a shredder, store the documents safely until you can return them to work and dispose of them in secure bins.
- It is best to avoid using free Wi-Fi hotspots for work-related business. These are often unsecured and the data you transmit can be snooped on by others.
- If possible, enable multi-factor authentication (MFA) whenever possible. MFA uses your password, but also adds a second step, such as a code sent to your phone or an app that generates the code for you as an extra layer of security.
- Keep personal information safe by installing the latest software and updating app to protect your personal devices from the latest threats.

Top Tips for Protecting Against Scammers

Visit NBN Co's website at www.nbn.com.au/scamadvice for information on how to identify and avoid potential scammers or for advice if you suspect you have been scammed.

- Remember **nbn** will never call and ask to access your computer or advise that you are going to be disconnected. NBN Co is a wholesaler, which means it does not sell phone or internet services directly to the public. People need to contact their preferred phone and internet provider to make the switch.
- Never give an unsolicited caller remote access to your computer or devices via the installation of programs, such as Team Viewer.
- NBN Co does not make automated calls, such as robocalls, to advise of disconnections to **nbn** or existing copper phone line services. Do not engage with these calls.
- Do not share your financial information (i.e. bank, credit card or gift card details) or personal details with an unsolicited caller or door knockers trying to seek payment for an **nbn**™ service.
- If in doubt, hang up and call your retail service provider on their official customer service centre number to check if the call is legitimate. Do not use contact details supplied by the caller.

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For specific advice relating to your specific situation, please contact your accountant or contact me for further discussion.

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