



AUSTRALIAN  PAYROLL
ASSOCIATION

January Members Update

Dear member,

Happy New Year! Welcome to the January 2019 member's update.

This month we look at the new Protected Earnings Amount effective 1/1/2019, the different types of Child Support Deductions and how salary sacrifice arrangements affect the amount of Child Support to be deducted as well as your PAYG withholding and Payment Summary/STP reporting requirements for Overtime Meal Allowances and Domestic and Overseas Travel Allowances.

1. **Protected Earnings Amount 1/1/2019 - 31/12/2019**

The protected Earnings Amount (PEA) is the part of an employee's pay which is exempt from child support deductions.

Pay Cycle	PEA Calculation
Weekly	\$372.53
Daily	$\$372.53 \div 7 \text{ days} = \53.21857
Fortnightly	$\$372.53 \times 2 \text{ weeks} = \745.06
4 Weekly	$\$372.53 \times 4 \text{ weeks} = \$1,490.12$
Monthly	$\$53.21857 \times 30.4375 \text{ days per month} = \1619.84

For child support purposes, a year is equal to 365.25 days. This allows for leap years. This means there are 30.4375 days in a month. This is equal to 365.25 divided by 12.

Now, just to clarify, there are 2 ways in which the DHS (Department of Human Services) may request deductions be made and remitted – either via:

- a Notice to Commence Child Support Deductions (where PEA applies), or
- a Notice to Pay Money Directly to Child Support Registrar Pursuant to Section 72A

1. Notice to Commence Child Support Deductions (where PEA applies),

If an employer receives a "Notice to commence Child Support Deductions", the PEA of \$375.53 will apply. So as a basic example for child support deductions @ \$100 per week for a worker who earns \$800 per week:

	Amount	Total
Gross weekly pay		\$800.00
Minus tax withheld amount each week	\$113.00	\$687.00
Set aside the PEA	\$372.53	\$314.47
Deduct child support	\$100.00	\$214.47
Add PEA	\$372.53	\$587.00

If the same worker then decides to enter into a superannuation salary sacrifice arrangement of \$380 per week:

	Amount	Total
Gross weekly pay		\$800.00
Less Salary Sacrifice	\$380.00	\$420.00
Minus tax withheld amount each week	\$13	\$407.00
Set aside the PEA	\$372.53	\$34.47
Deduct child support	\$34.47	\$0
Add PEA	\$372.53	\$372.53

In this example, the full amount of \$100.00 cannot be deducted as it would leave the worker with less than the PEA of \$372.53 for that weekly pay. Instead, the employer must deduct the amount of \$34.47 and pay it to the Department of Human Services. The employer must advise DHS as to the reason for the variation – DHS will contact the worker and make further arrangements for any outstanding amounts (this part has nothing to do with the employer!)

2. Notice to Commence Child Support Deductions Section 72A

When notice pursuant to section 72A has been issued the employer must:

1. check the notice for the amount that needs to be deducted
2. deduct any tax from the gross payment before child support deductions
3. deduct the lump sum amount requested or, if the notice asks for a cents in the dollar amount, work out the deduction on the worker's gross payment,
4. send the deductions to DHS within 7 days
5. pay the remaining amount to the worker

PAYG and reporting requirements for overtime meal allowances and domestic/overseas travel allowances

We have received queries surrounding the payment of overtime meal allowances and travel allowances – particular when it comes to the Payment Summary and STP reporting requirements of these payments.

The ATO advises -

<https://www.ato.gov.au/business/payg-withholding/payments-you-need-to-withhold-from/payments-to-employees/allowances-and-reimbursements/withholding-for-allowances/>

Table 5 - Award overtime meal allowances

Allowance type	Are you required to withhold?	Include on payment summary? If so, how?	Does super guarantee apply?
Up to reasonable allowances amount	No	No	No
Over reasonable allowances amount (allowance must be paid under an industrial instrument in connection with overtime worked)	Yes (from the excess over reasonable allowances amount)	<u>Yes (show total allowance separately in allowance box with an explanation)</u>	No

Table 6 - Domestic or overseas travel allowance involving an overnight absence from employee's ordinary place of residence?

Allowance type	Are you required to withhold?	Include on payment summary? If so, how?	Does super guarantee apply?
Up to reasonable allowances amount	No	No	No
Over reasonable allowances amount	Yes (from the excess over reasonable allowances amount)	<u>Yes (show total allowance separately in allowance box with an explanation)</u>	No
Overseas accommodation	Yes	Yes (Show in the allowance box)	No

Please note – whilst you are required to withhold PAYG from the amount in excess of the reasonable amount, you are required to report the **WHOLE** amount on the payment summary and for STP purposes – **not just the amount in excess of the reasonable amount**. i.e **Yes (show total allowance separately in allowance box with an explanation)**.



Our January 2019 webinar will be held on 23rd January at 2pm – please join me as we look at the employer’s obligations when it comes to “Reportable Employer Superannuation Contributions”.

[You can register for the webinar here.](#)

Don’t forget, all our previous webinars can be found on our Members portal, along with lots of resources and additional information.

Past webinar topics include;

- Changes to VIC LSL Legislation
- Understanding ETPs
- Leave Accruals for employees absent on workers compensation
- What are ordinary time earnings?
- Payments on the Death of a Worker

[You can log into the Members portal here.](#)

Kind regards,

Maria Nikoletatos
Chief Knowledge Officer