



Members Update

Dear member,

Welcome to the November 2019 member's update.

In this month's update we look at 2 Bills which received Royal Assent on 28th October 2019;



1. Treasury Laws Amendment (2019 Measures No. 2) Bill 2019

extends the concessional tax treatment for genuine redundancy and early retirement scheme payments made to individuals who are 65 years or older provided the dismissal or retirement occurs before they reach pension age

a. Treasury Laws Amendment (2019 Tax Integrity and Other Measures No. 1) Bill 2019

provides that an individual's salary sacrifice contributions cannot be used to reduce an employer's minimum superannuation guarantee contributions.

Treasury Laws Amendment (2019 Measures No.2) Bill 2019:

• **Current Legislation (s83-175(2)(a) Income Tax Assessment Act 1997)**

(2) A genuine redundancy payment must satisfy the following conditions:

(a) the employee is dismissed before the earlier of the following:

(i) **the day he or she turned 65;**

• **Legislation effective 28 October 2019 (s83-175(2)(a) Income Tax Assessment Act 1997)**

(2) A genuine redundancy payment must satisfy the following conditions:

(a) the employee is dismissed before the earlier of the following:

(i) **the employee reached pension age;**

So, what is pension age? Pension age (like preservation age for “payroll” purposes) is determined by the workers year of birth. The following table summarises the current legislated pension age:

Date of Birth	Pension Age	Date of Pension Age Change
1 Jan 1954 to 30 Jun 1955	66 years	1 July 2019
1 Jul 1955 to 31 Dec 1956	66 years and 6 months	1 July 2021
On or after 1 Jan 1957	67 years	1 July 2023

The Redundancy calculator in the member’s portal has been updated to reflect the new legislation - make sure you use the revised calculator.

Treasury Laws Amendment (2019 Tax Integrity and Other Measures No. 1) Bill 2019:

- **Current law**

- > An employer can use an employee's salary sacrifice superannuation contributions to meet their SG obligations (which I have never seen an employer do), and
- > An employee's OTE earnings base is reduced by superannuation salary sacrifice arrangements (quite common)

- **Effective 1 January 2020**

Salary sacrificed super contributions will **not**:

- > Count towards the amount of super guarantee contributions that your employer is required to make for them to avoid the super guarantee charge.
- > Reduce the ordinary time earnings that an employer is required to calculate their SG liability on (the superannuation salary sacrifice will not reduce the employees OTE base)

Example of new law:

	Current Law	New law effective 1 Jan 2020
OTE base	\$2,000.00	\$2,000.00
Superannuation Salary Sacrifice	\$500.00	\$500.00
Reduced OTE base	\$1,500.00	Cannot reduce the OTE earnings base
SG liability	\$142.50	\$190.00
Amount required	\$500.00	\$690.00
	Employer could use salary sacrifice of \$500 to meet their SG obligations of \$142.50 (calculated on the reduced OTE) - i.e the employer only needed to send \$500 to the fund to satisfy SG obligations	Employer can NO LONGER use salary sacrifice of \$500 to meet their SG obligations of \$190 (calculated on the PRE-REDUCED OTE) - i.e the employer must send \$690 to the fund to satisfy SG obligations



And still on the hot topic of superannuation, please join us for our November webinar on 27 November 2019 at 1pm where we will look at part 2 of “understanding and completing the SG Charge Statement”.

In this webinar, we will look at more “complex” scenarios such as where the employer has made an underpayment or where the employer has not acted on the employee’s choice of fund request.

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