7th August, 2023

Superannuation-Related Obligations Employers Need To Keep In Mind

While the hustle and bustle of operating and managing a business can occupy your mind, it's important not to forget your superannuation obligations to your employees.

Those who fail to meet their super obligations risk facing severe and even damaging liabilities, penalties and even potential imprisonment. Are you aware of your obligations?

Employees (after entering the workforce) should have a 'stapled' super fund that you must pay their super into or the right to nominate a super fund. However, if an employee is not eligible to choose, does not have a fund or fails to notify the employer, the employer must pay their contributions into an employer-nominated or default fund.

The employer-nominated or default fund must be a complying fund (meets specific requirements and obligations under super law) and be registered by the Australian Prudential Regulation Authority (APRA) to offer a MySuper product.

Some super funds may ask that an employer becomes a 'participating employer' before they can pay contributions to them. Participating employers may have to make super payments more frequently, such as monthly instead of quarterly.

For example, you need to make sure that you are meeting the super guarantee contributions now for all of your employees, including those who would have previously fallen under the $450 threshold.

Before 1 July 2022, employers who paid their workers $450 or more before tax in a calendar month had to pay superannuation on top of the employee's wages. Now super must be paid on any payments you make to domestic or private workers if they work for you for more than 30 hours in a week, regardless of how much you pay them.

The minimum amount of superannuation that an employer must pay to their staff in Australia is called the superannuation guarantee (SG).

Under the superannuation guarantee, employers have to pay superannuation contributions of 11% (from 1 July 2023) of an employee's ordinary time earnings when an employee is: over 18 years, or. under 18 years and works over 30 hours a week.

Currently, it must be paid at minimum four times per year, but from 1 July 2026, employers will be required to pay their employees' super at the same time as their salary and wages. This will be known as 'payday super', as more consistent contributions will mean that superannuation funds should be better able to increase their compounding potential.

Employers can claim a tax deduction for super payments they make for employees in the financial year they make them. Contributions are considered paid when the employee's super fund receives them.

Missed payments may attract the SGC (superannuation guarantee charge). While the SGC is not tax-deductible, employers can use a late payment to reduce the charge or as a pre-payment of a future super contribution (for the same employee), which is tax-deductible

Have concerns about your obligations as an employer when it comes to super? Why not have a chat with one of our team members, who may be equipped to assist you in this matter?