

15 May 2009

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ALL MEMBERS



CHANGES TO CALCULATING SUPERANNUATION

The Australian Taxation Office (“**ATO**”) has now published its finalised 2009 Ruling that revises the 1994 Ruling and particularly the definition of ‘ordinary time earnings’ (“**OTE**”) for the purposes of calculating superannuation contributions for employees.

Background

Last years draft proposal sought to have regular overtime included in the definition of OTE. This would have increased *Printing Industries* members’ superannuation contribution costs for employees working regular overtime hours. Additionally, the draft proposal sought to have other payments that were not previously subject to superannuation included in the revised definition of OTE.

The revised and finalised Ruling comes on the end of *Printing Industries* and the ACCI lobbying Government and the ATO over the last nine months to alter or reverse certain provisions that had originally been proposed by the ATO last year.

OTE - The New Definition

Under the ATO’s revised definition, OTE will now be considered to include all earning components resulting from, or those closely relating to, performing ‘ordinary hours of work’, other than those components specifically excluded by the Ruling.

Where the terms of employment are governed by an award or agreement, the ‘ordinary hours of work’ are the standard working hours specified in that award or agreement.

Further, the Ruling states overtime will not form part of OTE for the purposes of calculating superannuation contributions, even if employees regularly work overtime.

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The Changes

The ATO has made several changes that may result in a direct on-cost for employers. The following are examples of what **may** now be considered OTE components and therefore subject to superannuation payments:

- Termination payments in lieu of notice.
- Ex-gratia payment.
- Christmas bonuses.
- Retention bonuses.

Effective Date

The published Ruling will apply to all members and their employees from 1 July 2009.

Members with further enquiries or who may require assistance regarding the above should contact *Printing Industries'* National Network of Employee Relations Specialists on tel. no. 1800 227 425.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Charles Watson', with a stylized flourish at the end.

Charles Watson
Employee Relations Adviser