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E-alert: Changes to important employment related financial thresholds 2017

By ,

Many important employment related monetary thresholds are indexed annually on 1 July.

Below is a checklist of some of those changes effective 1 July 2017:

Federal minimum wage (excluding statutory superannuation)

2016/2017 financial year	2017/2018 financial year
$672.70 per week or $17.70 per hour	$694.90 per week or $18.29 per hour

Modern awards - Wage increases

Minimum wages are increased by 3.3%.

High income threshold

2016/2017 financial year	2017/2018 financial year
$138,900	$142,000

Unfair dismissal - Compensation limit

2016/2017 financial year	2017/2018 financial year
$69,450	$71,000

Tax free threshold - "Genuine redundancy" payments

2016/2017 financial year	2017/2018 financial year
First $9,936 tax free and $4,969 tax free for each completed year of service	First $10,155 tax free and $5,078 tax free for each completed year of service

Superannuation

2016/2017 financial year	2017/2018 financial year

Minimum employer contribution rate	
9.5% of ordinary time earnings up to the maximum contribution base	9.5% of ordinary time earnings up to the maximum contribution base
Maximum required contribution base	
$51,620 per quarter	$52,760 per quarter
Maximum concessional contributions (all employees, regardless of age)	
$25,000 annually	$25,000 annually

Federal minimum wage (excluding statutory superannuation)

The Federal minimum wage is the minimum weekly wage payable to employees not covered by a modern award or enterprise agreement.

High income threshold

Exclusion of modern award application

Where a modern award covers an employee but their employer guarantees they will earn more than the high income threshold, the employer and employee can enter into a guarantee of annual earnings which can stop many if not all of the provisions of the modern award applying to employees. This does not stop the employee making an unfair dismissal claim.

It is essential to remember that regardless of what an employee is paid, if they are covered by a modern award it will continue to apply to the employee unless the employee is covered by an enterprise agreement or a high income guarantee.

Exclusion from unfair dismissal remedy

Employees who:

- are not covered by a modern award or enterprise agreement; and
- earn more than the high income threshold,

are precluded from bringing unfair dismissal claims (i.e.: challenge the fairness of the termination of their employment).

What's included?

An employee's earnings for the purposes of the high income threshold include:

- wages
- money that is paid on their behalf (e.g.: salary sacrifice payments)
- the agreed value of non-monetary benefits (e.g.: mobile phones, personal use of motor vehicles).

An employee's earnings do not include:

- payments the amount of which cannot be determined in advance (eg: commissions, bonuses or overtime

unless guaranteed)
- expense reimbursements
- statutory superannuation contributions.

Tax free threshold - "Genuine redundancy" payments

Where an employee’s redundancy is treated by the Australian Tax Office as a 'genuine redundancy' under the *Income Tax Assessment Act* 1997, the employer will be able to make the payments to an employee without deduction and remission of income taxation up to the relevant tax free thresholds.

Employers however need to carefully consider whether the circumstances of any redundancy satisfy the relevant ATO requirements prior to utilising the tax free thresholds.

Superannuation – Maximum contribution base

For the 2017/2018 financial year, employers are required to pay superannuation pay into each eligible employee's complying superannuation account an amount of at least 9.50% of the employee's ordinary time earnings up to the 'maximum contribution base'. An employer is not required to make contributions in respect of ordinary time earnings above the maximum contribution base.

Superannuation - Concessional contribution cap

Employers can make concessional contributions (e.g. SG contributions and salary sacrifice contributions) on behalf of their eligible employees.

Concessional contributions up to the cap are generally taxed at 15% whereas contributions in excess of the cap are generally taxed at the employee's marginal rate of income tax where the individual makes an election to do so. The employee will also be liable for the excess concessional contributions charge in these circumstances.

Should you wish to discuss any matters arising out of this article, please contact the author:

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