



## **EMPLOYMENT & WHS**

# Changes to Important Employment-Related Financial Thresholds 2018

By **JAMIE ROBINSON, CONSULTANT**  
and **AMBER HARRINGTON, LAW GRADUATE**

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A number of employment-related monetary thresholds are indexed annually on 1 July. Detailed below is a checklist of the key changes effective 1 July 2018.

For more information about these matters, or for assistance with any matters regarding employment services, please contact Jamie Robinson.

**JAMIE ROBINSON | CONSULTANT**  
Employment, Work Health & Safety  
D (07) 3223 9136  
E [jamie.robinson@brhlawyers.com.au](mailto:jamie.robinson@brhlawyers.com.au)

### Federal Minimum Wage (excluding statutory superannuation)

2017-18 Financial Year	2018-19 Financial Year
\$694.90 per week or \$18.29 per hour	\$719.20 per week or \$18.93 per hour

### Modern awards – Wage increases

Minimum wages are increased by 3.5% (this is an increase of 0.2% from the 2017-18 financial year).

### High Income Threshold

2017-18 Financial Year	2018-19 Financial Year
\$142,000.00	\$145,400.00

### Unfair Dismissal Compensation Limit

2017-18 Financial Year	2018-19 Financial Year
\$71,000.00	\$72,700.00

### Tax Free Threshold – “Genuine redundancy” payments

2017-18 Financial Year	2018-19 Financial Year
First \$10,155.00 tax free and \$5,078.00 tax free for each completed year of service	First \$10,399.00 tax free and \$5,200.00 tax free for each completed year of service

### Superannuation

2017-18 Financial Year	2018-19 Financial Year
<i>Minimum employee contribution rate</i>	
9.5% of ordinary time earnings up to the maximum contribution base	9.5% of ordinary time earnings up to the maximum contribution base
<i>Maximum required contribution rate</i>	
\$52,760.00 per quarter	\$54,030.00 per quarter
Maximum concessional contributions (all employees, regardless of age)	
\$25,000.00 annually	\$25,000.00 annually

## Reduction in Sunday Penalty Rates - Award-Reliant Hospitality, Fast Food and Pharmacy Retail Employees

In accordance with the Fair Work Commission's 2017 decision in the 4 yearly review of modern awards in the Hospitality, Retail, Fast Food and Pharmacy industries the Commission decided to progressively reduce penalty rates between 2017 and 2020 in those industries.

As such, the rates which will apply for the 2018-19 financial year are detailed below.

Modern Award Employees	Hourly Sunday Rate 2017-18 Financial Year	Hourly Sunday Rate 2018-19 Financial Year
Full-time and part-time employees - General Retail Industry Award 2010 and Pharmacy Industry Award 2010	195% of the base hourly rate	180% of the base hourly rate
Full-time and part-time employees - Hospitality Industry (General) Award 2010	170% of the base hourly rate	160% of the base hourly rate
Level 1 full-time and part-time employees - Fast Food Industry Award 2010	145% of the base hourly rate	135% of the base hourly rate
Level 1 casual employees - Fast Food Industry Award 2010	170% of the base hourly rate (inclusive of casual loading)	160% of the base hourly rate (inclusive of casual loading)
Casual employees - General Retail Industry Award 2010	195% of the base hourly rate (inclusive of casual loading)	185% of the base hourly rate (inclusive of casual loading)
Casual employees - Pharmacy Industry Award 2010	220% of the base hourly rate (inclusive of casual loading)	205% of the base hourly rate (inclusive of casual loading)

### **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 (e.g. 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 2018-19 financial year, employers are required to pay superannuation pay into each eligible employee's complying superannuation account an amount of at least 9.5% 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.