AUSTRALIAN PAYROLL ASSOCIATION

LEADING PAYROLL

MEMBERS UPDATE

APRIL 2025

Welcome to the April 2025 member's update

In this month's members update we look at:

- 2025 Federal Budget
- 2025-26 ATO updated rates and thresholds
- Payday super draft legislation
- Portable LSL for Community Services in SA
- Removal of $1,200 threshold for Lump Sum E
- FBT Reasonable Limits for LAFHA and Cents per Kilometre – effective 1 April 2025

2025 Federal Budget

Tax cuts were announced in the Federal Budget on 25 March 2025.

Key Points for Payroll

From 1 July 2026 - the 16 per cent rate will be reduced to 15 per cent.

From 1 July 2027 - the 15 per cent rate will be reduced to 14 per cent.

N.B. - These changes are not yet law.

Personal income tax - new tax cuts for every Australian taxpayer | Australian Taxation Office

ATO Updated Rates and Thresholds for 2025-26

Life/Death Benefit ETP Cap	$260,000
Tax free portion of a genuine redundancy and early retirement scheme payment	Base limit $13,100 plus $6,552 for each year of completed service
Maximum Superannuation Contribution Base	$62,500
Superannuation Guarantee	12%
Concessional Contribution Cap	$30,000 (unchanged from 2024-25)
Non-Concessional Contribution Cap	$120,000 (unchanged from 2024-25)

Pay day Super draft legislation

On 14th March the draft legislation for the pay day super reforms was released. A summary of some of the key components of the legislation can be found below.

With an election now called for the 5th May, the government is in caretaker mode. This means that consultation is paused until after the election. However, we still have until Friday 11th April to file submissions in response to the draft legislation. You can find the draft legislation, supporting documents, and details on how to file a submission *here*.

Summary of Key Payday super provisions

QUALIFYING EARNINGS – new terminology has been introduced, called Qualifying Earnings (QE). QE are the earnings on which employers are required to make an SG contribution. Note that this has not changed the amount of super that is required to be paid, the definition of Ordinary Time Earnings (OTE) will remain the same.

- The employees OTE
- Commissions
- Directors Fees
- Contractor payments

QUALIFYING EARNINGS DAY (QE Day) = Pay day

Payday is defined as the date an employer makes a payment of **qualifying earnings** to an employee

KEY POINTS

- Employers will be required to make SG contributions on a “QE Day”
- The due date to the super fund will be 7 **calendar days** after the QE Day. QE Day will be defined as day zero. No additional time for weekends or public holidays
- Additional time for new employees – 21 days from QE Day

MAXIMUM SUPER CONTRIBUTION BASE (MSCB)

The MSCB will be changed from a quarterly base to an annual base. The formula for the MSCB will be:

Concessional Contribution Cap x (100 / **SG percentage)**

Therefore, if the concessional contribution cap was $30,000, and the SG percentage was 12%, then:

$30,000 x (100 / 12) = $250,000 MSCB per annum. Super would not be required to be paid on excess earnings once an employee has earned $250,000 with that employer.

OVERPAYMENTS

- Any surplus of SG paid for a QE Day will be automatically 'carried forward' to the next QE Day
- Contributions may be carried forward for up to 12 months after the day they are made

EXTENSIONS

- **Out-of-Cycle payments** - For example, commissions, bonuses, back payments. An extension can be provided to make the payment on the next QE Day
- **Exceptional Circumstances** – For example, natural disasters, or widespread ICT or communications outages. The ATO may extend by 21 days. Note that this will only apply for circumstances that affect groups of employers and will not apply on an individual employer basis for their own internal IT issues
- **Stapled Super bounce backs** – if the stapled super fund does not accept the contribution (i.e. the super bounces back), the employer will have 42 days from the QE Day to make a replacement eligible contribution. Note that this only applies for stapled super bounce backs, and will not apply for bounce backs that occur due to an employee closing their fund and failing to notify the employer

SG CHARGE

- All assessments for the new SG Charge will be made by the ATO and would be triggered by:
    - employer voluntary disclosure to the ATO
    - employee notification of unpaid super
    - ATO pro-active compliance via data-matching between STP data and super fund reporting
- Employers will be required to report both the OTE and the total superannuation liability for an employee through STP Reporting. This may require some payroll solutions to upgrade their functionality
- The SG Charge will now be tax-deductible, though any additional penalties or interest after the assessment will not be

COMPONENTS OF THE SG CHARGE

- The total shortfall for the QE Day – The shortfall will be calculated on the employees **qualifying earnings**. This is a significant improvement on the current legislation which requires the shortfall to be calculated on the employees total salary and wages for the quarter
- Notional Earnings (interest) - The shortfall will incur daily interest at the general interest charge rate. Interest will accrue from the day after the 7-day due date
- Administrative Uplift - The $20 admin fee per employee will be replaced with an additional charge of up to 60% of the shortfall, to cover the cost of enforcement. This will be reduced when an employer takes action to voluntarily disclose and address unpaid super quickly, or has not had any ATO initiated assessments within the last 24 months. The uplift could potentially be reduced to 0% if particular conditions are met

PENALTIES

- When an amount of SG Charge is unpaid 28 days after becoming payable, the ATO is required to give the employer a written notice to pay the outstanding amount
- The employer will become liable to pay a penalty if they do not pay the amount within 28 days of the notice being issued
- The penalty is:
    - 25% of the outstanding amount, or
    - 50% of the outstanding amount if the employer has previously been liable for the penalty in the last 24 months
- The penalty cannot be remitted (meaning the ATO has no discretion to waive it)

SA Portable LSL for Community Service

The SA Government is introducing a new portable long service leave scheme due to commence on 1 July 2025, this is still pending finalisation. This is covered by the Portable Long Service Leave Act 2024.

Who is Covered: The scheme covers full-time, part-time, and casual workers who at least half the time are generally performing duties that are covered under

- Social, Community, Home Care and Disability Services Industry Award 2010 (SCHADS)
- Aboriginal Legal Rights Movement Award 2016 (ALRM)

Workers only need to be performing duties aligning with these awards as per the classifications below and not necessarily be receiving pay and conditions in accordance with them.

The classifications are as follows:

- Social and community services employee (levels 1 - 8) - SCHADS Award
- Crisis accommodation employee (levels 1 - 4) - SCHADS Award
- Family day care employee (levels 1 - 5) - SCHADS Award
- Home care employee (levels 1 - 5) - SCHADS Award
- Administrative Officer (levels 1 - 8) - ALRM Award
- Field Officer (levels 1 - 3) - ALRM Award
- Legal Officer (levels 1 - 5) - ALRM Award
- Executive Officer (level 1) - ALRM Award

What employers need to register

If you employ workers who are covered in the above section, then you will need to register.

Online registration will become available in the online portal from 1 July 2025, businesses employing eligible workers must register within 28 days of the commencement of the scheme.

The scheme covers employees who work for one or more shifts in a quarter in a role delivering community services or supporting the delivery of community services.

Leave Entitlement: Once an employee has accrued 120 Months of service (equivalent of 10 years) they are eligible for 13 weeks Long Service Leave. Accrual is 1.3 weeks for every 12 months of service. Leave is required to be taken in whole days with a minimum 1 week period.

Prior Service Before 1 July 2025: Is recognised if the employee is with the same employer for more than 7 years and become eligible to an entitlement under the Long Service Leave Act 1987.

Funding: The scheme is funded by a levy paid by eligible employers. The levy amount has not yet been set.

Existing Legislation: The scheme operates alongside the existing Long Service Leave Act 1987.

More information can be found *here*.

Watch this Space!!! Removal of $1,200 threshold for Lump Sum E

It is not yet published however the ATO will be removing this threshold effective 1 July 2025.

This is expected to be published on the ATO Schedule 5 page in June 2025.

What this means is that any amount that relates to more than 12 months prior will need to be reported as Lump Sum E, regardless of the amount.

FBT Reasonable Limits for LAFHA and Cents per Kilometre – effective 1 April 2025

Updated reasonable limits for the 2025 FBT year have been announced for Food and Drink Expenses incurred by employees receiving a living-away-from-home allowance (LAFHA). Please see link below with details on the updated limits are effective 1 April 2025.

TD 2025/2 | Legal database

Also announced are the rates to be applied on cents per kilometre basis for calculating the taxable value of a fringe benefit arising from private use of a motor vehicle other than a car. Please see link below with details on the updated limits are effective 1 April 2025.

TD 2025/1 | Legal database

Compliance

Super Guarantee Charge (SGC) Shortfall

Sometimes an employer will need to pay the Super Guarantee Charge (SGC) if they fail to meet their superannuation obligations for their employees. This occurs when an employer:

- Doesn't pay the required superannuation amount on time,
- Pays less than the required amount or
- Pays to the wrong superannuation fund.

There are three parts of the SGC with one part being to calculate the Superannuation Guarantee (SG) shortfall. This is a crucial step in completing the SG charge statement. The shortfall is determined based on the employee's salary and wages, including overtime, rather than just ordinary time earnings.

To calculate the SG shortfall:

1. Calculate the percentage of superannuation that was actually paid on time for the quarter:

- Superannuation paid for the quarter / Ordinary Time Earnings (OTE) for the quarter x 100 = percentage actually paid for the quarter

2. Determine the total salary and wages paid to the employee for the affected quarter (this includes overtime)
3. Calculate the difference in super that should have been paid for that quarter (i.e. 11.5% less the percentage calculation at Step 1)
4. Multiply the total salary and wages at Step 2 by the percentage difference in Step 3.

For example, Sarah was not paid any super for the current quarter as the employer missed the quarterly cut-off. Sarah earned $60,000 in standard hours and $10,000 in overtime during the quarter. The shortfall calculation would be:

1. 0 as no super was paid
2. Salary and wages = $70,000
3. 11.5% - 0% = 11.5%
4. $70,000 x 11.5% = $8,050. The shortfall payable would be $8,050.00

If the employer had paid $6,200 in super contributions, on time, the shortfall would be:

1. $6,200 / $60,000 x 100 = 10.33%
2. Salary and wages = $70,000
3. 11.5% - 10.33% = 1.17%
4. $70,000 x 1.17% = $819. The shortfall payable would be $819.00

It's important to note that the SG shortfall is just one component of the total SGC, which also includes nominal interest and an administration fee.

The Australian Payroll Association solves payroll problems across various industries and employer sizes. We specialise in payroll compliance and related issues, ensuring your business meets legal standards and maintains payroll excellence.

If you feel that you need your superannuation calculations reviewed, please reach out to APA.

For more information about the consulting services offered by our Advisory Team please feel free to contact us at any time - *Payroll Consulting & Compliance | Australian Payroll Association*

FAQ

Q. How do we remunerate an employee who is a witness in a court case?

A. Unlike Jury Duty, you are not required to pay an employee wages if they are attending court as a witness, unless it is specified by the court or in an Award or Agreement. Some courts may allow witnesses to claim a reimbursement on loss of wages or pay an attendance allowance. The employee would need to check with the court on how this process works and what they entitled to claim.

Example 1: in WA under S119 of the Evidence Act employers must continue to pay any earnings that a witness could reasonably expect to have been paid while attending court. Employers can then submit a claim for reimbursement of these costs. This is in relation witness called by the Office of the Director of Public Prosecutions (ODPP) only. It may not cover witnesses called by other parties.

Example 2: in NSW an allowance for attendance can be claimed and is currently $100.80 for attendance of greater than 4 hours and $50.05 for attendance of 4 hours or less. The employee can claim this directly from the courts.

Where no payment is required by the employer, the employee can choose to apply for leave for the absence.

OTE Working Group – Ordinary Times Earning Guidance Review

APA are part of a working group with the ATO to redevelop the ATO resources available for definitions OTE to make it more user friendly.

This is currently in consultation with targeted groups such as payroll professionals, payroll associations and Tax and BAS agents.

The purpose of this is to gather industry feedback, work through commonly asked questions and test new and refined content. The outcome is hoped to provide guidance that supports employers to determine which pay components are considered OTE.

Superannuation | Australian Taxation Office

MEMBERS AREA

Our April members webinar will be held on Wednesday 30th April at 1pm (AEST) where we will be discussing “Understanding the difference between Ordinary Hours, Penalties and Overtime in Modern Awards”.

