DLK ADVISORY

GET YOUR EMPLOYEES' SUPER RIGHT FOR THE NEW FINANCIAL YEAR

As the new financial year begins, employers need to keep an eye on various payroll activities to make sure their employees' pay and superannuation contributions are processed correctly and at the right times, especially with a number of changes and rate adjustments coming into effect from 1 July 2024. Here are some important considerations at this busy time of year.

Payroll

Single Touch Payroll (STP) annual reporting needs to be finalised by selecting the final event indicator to "true" for all employees by 14 July 2024.

Check and delete any tax variations ceasing as of 30 June 2024, and enter any new tax variations that apply from 1 July 2024. Remember to revise termination worksheets used for redundancies to the new tax-free limits and the employment termination payment (ETP) cap increase. Take care: if an employee is terminated by 30 June but paid on or after 1 July, the new rates and thresholds apply.

Check that wages are shown in the correct income year – if the payment is received on or after 1 July 2024, it should be shown in the 2024–25 income year. Review changes to pay rates or salary sacrifice arrangements, noting that award rate increases usually apply to the first full pay from 1 July.

Review whether 2024–25 may result in 53 weekly pays or 27 fortnightly pays – employees can elect to have additional tax withheld in these circumstances. This may also affect the amount of any employer and salary sacrifice to super..

Superannuation

The superannuation concessional limit increases from $27,500 to $30,000 for 2024–25. This reflects the maximum that funds can receive for an individual that will be taxed at 15% (30% for high income earners). The limit applies to the total of employer superannuation, sacrificed superannuation and any post-tax contributions that an individual has lodged a notice to claim a deduction against with the fund. Employers will be aware of the employer and sacrificed contributions.

The super contribution rate for 2024–25 increases to 11.5%.

Employees often seek to maximise the amounts contributed to their superannuation and may expect employers to manage this process for them. However, it's up to employees to be responsible.

Commonly, what's shown on pay slips and on employees' income statement may not match what's counted in a financial year towards the limit. This is primarily because pay slips and income statements show amounts accrued for the employee in an income year, not what was actually paid in that income year to their fund. What the fund reports to the ATO for its members is based on what it receives and allocates to accounts in the income year.

Why do differences occur?

- Payment dates: Many employers make their contributions monthly after month-end, meaning the contributions for June may not be received by the fund until July.
- Clearing houses: Where employers use a clearing house, the amounts are only considered contributed when the clearing house passes the amounts to super funds. This may take up to 10 working days.
- Fund cut-offs: At income year end, funds may have cut-off dates for recognising member contributions before 30 June. This can mean an employer may have processed contributions by 30 June, but the fund may not allocate and report the amounts until the new income year.

To minimise confusion, make sure your employees are aware:

- it's up to them to manage their own concessional limit;
- payslips and income statements show the accrued liability reported, not necessarily what has been paid in the income year;
- what timeframe you adopt in making contributions to funds (allowing for any clearing house processing time); and
- some funds may not recognise amounts received late in June until the new income year – this varies by fund.

CONTACT

If you have any queries, please feel free to contact us.

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