

GMS Flash Alert

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Australia - Superannuation Changes from 1 July

The Australian Superannuation Guarantee ('SG') is set to increase from 9.5 percent to 10 percent of employees' 'ordinary time earnings' from 1 July 2021.¹ The SG is the minimum rate of contributions an employer must make on behalf of its employees up to the cap known as the Maximum Contributions Base (A\$58,920 of earnings per quarter for the year ended 30 June 2022).

Despite speculation that the slated increase may be postponed given the economic impacts of COVID-19, no announcements were made in the recent 2021 Federal Budget² to defer or alter the change, which had previously been legislated.

The rate change is in line with the federal government's plan to gradually increase the minimum amount of Superannuation contributions an employer must make on an employee's behalf by 0.5 percent each year to 12 percent by 2025.

WHY THIS MATTERS

Employers of all employees working in Australia, including expatriate employees, are legally obliged to make SG contributions into an Australian complying Superannuation fund unless an exemption can apply (which is only available in limited circumstances, for example where a Certificate of Coverage can be obtained in the home country, or the employee is considered a senior foreign executive).

Employers should consider the impact that the update will have to both employment costs and employees' total remuneration.

For example, assignment costs will increase where SG contributions for expatriates on assignment to Australia are required, in turn likely making access to the Departing Australian Superannuation Payment at the end of the expatriate's assignment even more valuable.

The decision on whether to increase total remuneration will be particularly important where employers offer a salary package, which includes SG, to their employees. This will become a critical decision where the employees are sponsored visa holders (i.e. subclass 457, 482 and 494 visa holders).

KPMG NOTE

Business sponsors have an ongoing obligation to make sure sponsored visa holders receive a base remuneration, exclusive of SG, that is at least equivalent to the salary stated in their approved nomination. Employers will need to undertake a review of their sponsored employees' current remuneration, to determine whether the increase to SG will reduce their base salary, as this may result in a breach of their obligations as a business sponsor.

Human Resource and Payroll teams must have systems in place to accommodate the change to the SG rate as significant penalties may arise for those who fail to fully comply.

FOOTNOTES:

- 1 See: <https://www.ato.gov.au/rates/key-superannuation-rates-and-thresholds/?anchor=Superguaranteepercentage>.
- 2 For our recent report on the Federal Budget, see [GMS Flash Alert 2021-142](#) (12 May 2021). For the Budget speech and related documents, see: <https://budget.gov.au/>.

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