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## Modern Award rates have increased, so should all my employees get pay rises?

On 30 May 2019 the Fair Work Commission announced that as of the first full pay period in July, the minimum wages in modern awards would increase by 3% (and so would the Federal minimum wage for award-free employees).



But does this mean that employers have to increase the wages of all employees by 3%? The simple answer is no. The minimum rates set out in modern awards are exactly that: *minimum* rates of pay. If you are already paying above the award then there is generally no obligation to increase wages just because the minimum wage has increased (unless the new minimum wage will now be greater than the rate you are paying).

Employers who pay "above the award" rates of pay in order to meet all the entitlements that arise under an award should ensure that the rate of pay is still sufficient to cover all entitlements that might arise under the award (e.g. overtime, allowances, etc.) now that the minimum rates have increased. Employers should also make sure that employment contracts clearly state that the employee's wage or salary covers all entitlements that arise under the award – to avoid an employee being entitled to an above the award rate of pay *plus* payment for overtime, allowances, etc.

Employers covered by an enterprise agreement should remember that the Fair Work Act 2009 states that if the base rate of pay in an enterprise agreement is overtaken by the base rate of pay in a modern award that would otherwise apply to the employee, then the employer must pay the award base rate of pay, rather than the rate stated in the enterprise agreement. NB this obligation to match the award rate only arises in relation to *base* rates of pay. There is no obligation for the overtime or penalty rates in an enterprise agreement to "keep up" with the award rate of pay (unless the enterprise agreement has specifically provided for this).

These dates are from the ATO website and do not take into account possible extensions.

You remain responsible for ensuring that the necessary information is with us in time.

### **BAS/IAS Monthly Lodgements**

Final dates for lodgements and payments:

June Activity Statement  
21 July 2019

July Activity Statement  
21 August 2019

### **BAS Quarterly Lodgements**

Final dates for lodgements and payments:

**4th Quarter 2019 Financial Year:**  
**June Quarter 2019 (incl. PAYGI)**  
28 July, 2019

When a due date falls on a Saturday, Sunday or Public Holiday\*, you can lodge or pay on the next business day.

\*A day that is a public holiday for the whole of any state or territory in Australia.

Due date for super guarantee contributions:

**4th Quarter 2019 Financial Year:**  
April to June 2019 – contributions must be **in the fund** by 28 July, 2019

The super guarantee charge is not a tax deduction if not paid by these dates.

Refer to the ATO for details regarding any SGC charges applicable if not paid by due date.

### **End of Year Payroll**

Payment Summaries must be supplied to employees by 14 July, 2019

### **Single Touch Payroll**

Finalisation by 31 July 2019

**Payroll Tax End of Year Return** is due by 21 July 2019. As this date is a Sunday, the return is due by the next Monday 22 July 2019

## National Minimum Wage Increase

The Fair Work Commission has handed down its decision to increase the national minimum adult wage by 3%. This increase will be applicable from the first full pay period commencing on or after 1 July 2019.

The new adult National Minimum Wage will be \$740.80 per week or \$19.49 per hour. This constitutes an increase of \$21.60 per week to the weekly rate.

No changes take effect until the first full pay period on or after 1 July 2019. However, all employers should refer to the appropriate awards covering their employees.

To find out what is required to update your software, please call us.



## Legislative Updates & Threshold Changes

### Superannuation

#### Compliance

New legislation to amend laws relating to Super and PAYG withholding compliance have become effective from 1st April 2019:

- The ATO are now able to disclose information to employees:
  - the non-payment of superannuation by employers (past and present) including the actions they can take to get their superannuation paid.
  - Advising if there is reasonable doubt superannuation not been paid
  - Any action the ATO has or is taking in relation to the non payment.
- STP reporting will apply to all employers making identification of employers who are not compliant easier.

#### Superannuation Contribution Caps

- Superannuation Guarantee maximum contributions required to be paid by the employer has increased to \$55,270 per quarter from 1 July 2019
- Superannuation concessional contribution, which is super calculated before tax, the cap remains at \$25,000 from 1 July 2019
- Superannuation Guarantee which is the minimum of superannuation an employee must pay to their employee, remains at 9.5%

## Thresholds

### Employment Termination Payment Cap (ETP)

Employment termination payment (ETP) is a lump sum payment rather than a wage payment made as a result of termination.

From 1st July 2019 the ETP cap threshold for taxing the lump sum payment for both life and death benefits will increase to \$210,000 and the Whole of income cap remains at \$180,000

### Redundancy Threshold (Lump Sum D)

From 1st July 2019 redundancy tax free threshold Increases to \$10,638 + \$5,320 for each year of service

## Tax Rates

### PAYG Withholding Tables

Legislation for changes to income tax thresholds including following offsets:

- low- and middle-income earners for 2018 to 2022
  - Increase 32.5% top bracket threshold \$87,000 to \$90,000

### Additional Low and Middle Tax Offset (LAMITO)

New low- and middle-income tax offsets apply for 2018–19 through and including years to 2021–2022

Australian resident employees (and certain trustees) that do not exceed a taxable income of \$125,333 are entitled to the new low and middle tax offset. This is in addition to the existing low-income tax offset. It is calculated during the preparation of an income tax return.

Calculated as follows. If taxable income:

- does not exceed \$37,000 you are entitled to \$200
- exceeds \$37,000 but does not exceed \$48,000, you are entitled to \$200 plus 3% of the amount of the income that exceeds \$37,000
- exceeds \$48,000 but not \$90,000, you are entitled to \$530
- exceeds \$90,000 you are entitled to \$530 less 1.5% of the amount of the income that exceeds \$90,000.

## Higher Education Loan Program (HELP)

### A new set of repayment thresholds for 2019/2020

From 1 July 2019, the new minimum HELP repayment threshold will be when taxable income is \$45,881 or above, with a 1% repayment rate, with a further 17 thresholds and repayment rates, up to a top threshold of \$134,573 at which 10% of income is repayable.

#### **Source: Department of Education and Training**

- [Higher Education Loan Program \(HELP\) changes - Sustainability Act](#)
- [HELP repayment rates and thresholds from 1 July 2019 for 2019-20](#)

## Payroll Tax

New South Wales payroll tax threshold to increase on 01 July 2019 to \$900,000 annually.

- See below table
- South Australia's payroll tax threshold increased to \$1,500 000 annually or \$125,000 monthly on 1 January 2019
- Queensland's payroll tax threshold increased to \$1,300 000 annually, \$108,333 monthly or \$25,000 weekly on 01 July 2019.
  - Qld tax rate is 4.75% for employers under \$6.5m was and \$4.95% for employers with wages over \$6.5m
  - Regional employers may be entitled to a 1% discount on the rate
- All other states are unchanged.

## Motor Vehicle GST Limit

The current motor vehicle GST limit is \$57,581 (GST \$5,234). No changes advised at this time.

## Living Away from Home Allowance (LAFHA) 2020

Living Away from Home Allowance (LAFHA) is an allowance to compensate an employee who is required to live away from their usual place of residence to do their job. This allowance compensates their additional non-deductible expenses. The LAFHA allowance will increase for 2019/2020 financial year for reasonable food and drink within Australia. Children are those aged under 12 at the beginning of the year. Australian and Overseas LAFHA figures are available on the ATO website

## Instant Asset Write off

The instant asset write off for income tax purposes has been extended to 30th June 2020 and now includes businesses up to \$50 million turnover. The threshold that can be claimed is:

All business up to \$50 million turnover:

- \$30,000, from 7.30pm (AEDT) on 2 April 2019 until 30 June 2020

Businesses up to \$10 million turnover

- \$30,000, from 7.30pm (AEDT) on 2 April 2019 until 30 June 2020
- \$25,000, from 29 January 2019 until before 7.30pm (AEDT) on 2 April 2019
- \$20,000, before 29 January 2019.

Disclaimer: All or any advice contained in this newsletter is of a general nature only and may not apply to your individual business circumstances. For specific advice relating to your specific situation, please contact your accountant or contact me for further discussion.

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