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Superannuation Guarantee Contributions (SG)

Make sure you pay on time

What has changed!

We understand that within the next 12 months or so most, if not all, superannuation funds will be required to provide the Australian Taxation Office (ATO) with details of the date of receipt of all contributions.

This approach will make it very easy for the ATO to identify any late payments made by employers on behalf of their employees.

The penalties for not paying your SG Contributions on time are potentially costly. The ATO has no discretion but to penalise you should it become aware of your failure to meet the rules - even if only one day late!

How much to pay and when to pay

As an employer, you currently must pay a minimum of 9.5% of each eligible employee's ordinary time earnings each quarter in superannuation.

You have to pay super guarantee contributions for each eligible employee at least four times a year.

Payments must be made by the quarterly cut-off dates:

Quarter	Period	Payment cut-off date
1	1 July - 30 September	28 October
2	1 October - 31 December	28 January
3	1 January - 31 March	28 April
4	1 April - 30 June	28 July



When will an employer fail to meet the system standards?

If you haven't met your super obligations as an employer, you have to lodge a *Superannuation guarantee charge statement - quarterly* (NAT 9599) and pay a superannuation guarantee charge to the ATO. Additionally, your business might lose the tax deduction you would normally get for super contributions, because the super guarantee charge is not tax deductible and neither are late super payments if the late payment offset has been elected.

You'll have to pay the Super Guarantee Charge if you:

- don't pay enough super contributions for your employee - this is called a super guarantee shortfall.
- don't pay super contributions by the quarterly cut-off date for payment.
- don't pay super to your employee's chosen super fund - this is called a choice liability.

What is the Superannuation Guarantee Charge?

The Superannuation Guarantee Charge is made up of the following amounts:

1. Superannuation Guarantee Shortfall amounts (including any choice liability)
2. Nominal interest – at 10% per annum, calculated from the beginning of the quarter until the day on which the SGC would be payable; and
3. An administration fee – \$20 per employee per quarter

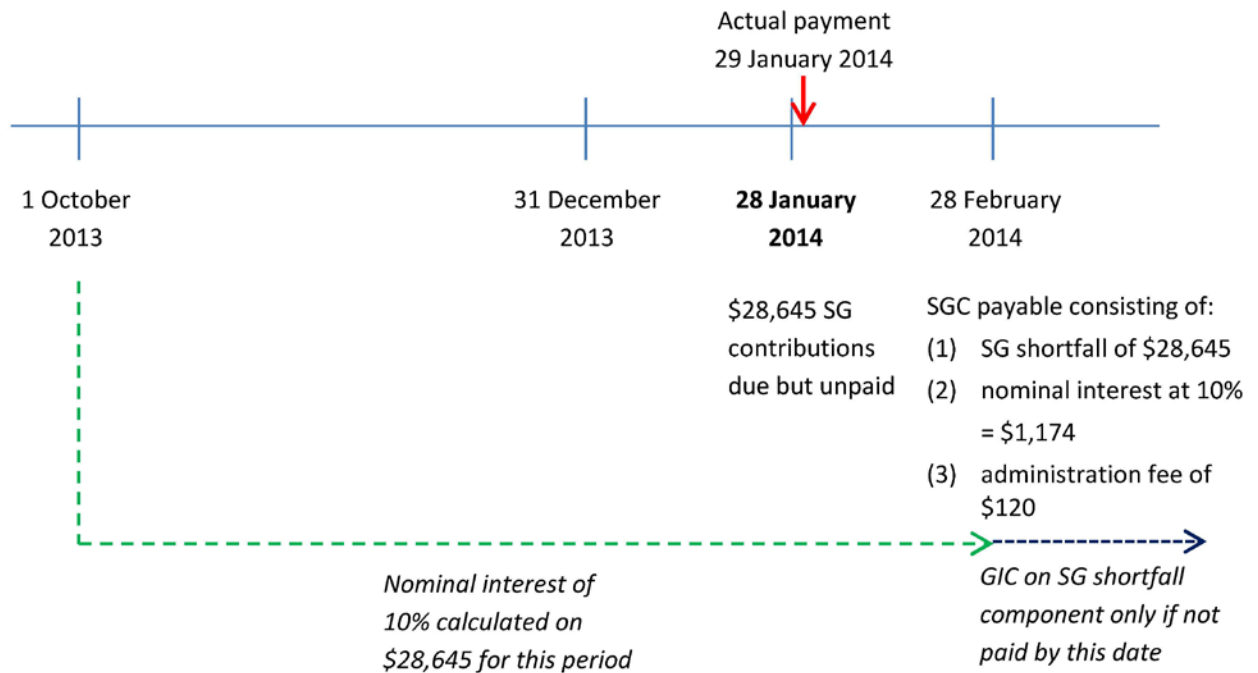
Directors Penalties for Unpaid Superannuation Guarantee Contributions

Company directors have a legal responsibility to ensure that their company meets its SGC obligations in the same way as they are required to meet their PAYG withholding obligations. The director of a company that fails to pay the SGC in full by the due date (based on an actual liability or an estimate) automatically becomes personally liable for a penalty equal to the unpaid amount.

The director penalty provisions in Div 269 of Sch 1 to the TAA apply to unpaid SGC in the same way as they apply to unpaid PAYG withholding

What are the tax implications?

We will take the following December quarter example where the SG Contributions of \$28,645 were paid 1 day late by an employer with 6 employees.



Points to note

SG Contributions of \$28,645 were paid 1 day late and resulting in the following:-

- Need to prepare and lodge a Superannuation guarantee charge statement - quarterly (NAT 9599) by 28 February 2014;
- Make a payment of \$29,939 comprising:
 - SG Contributions shortfall \$ 28,645
 - Interest on overdue amount \$ 1,174

(calculated from day 1 of the quarter and not from when contributions became liable to be paid)

 - Admin fee -\$20 per employee \$ 120
 - < 6 employees in above example >*
 - General Interest Charge - if not paid by the 28 February 2014.
- The \$28,465 is potentially non tax deductible expense & thus a substantial penalty.
- The \$1,174 is a tax deductible expense.
- The Admin fee is a non tax deductible expense

Reference point – SGC statement and calculator tool

The ATO has produced a Superannuation guarantee charge statement and calculator tool which employers can use to calculate their SGC liability and prepare the SGC statement which must be lodged with the ATO. It can be sourced at the following link.

<https://www.ato.gov.au/Business/Employers-super/What-you-must-do-if-you-haven-t-met-your-obligations/>

In Summary

Bottom line is don't put yourself in a situation where you need to lodge a Superannuation guarantee charge statement otherwise you will face penalties - potentially significant penalties.