

ORDINARY TIME EARNINGS (OTE)



What are ordinary time earnings?

As of 1 July 2008, you must use ordinary time earnings (OTE), as defined in the Superannuation Guarantee (SG) law, to calculate the minimum SG contributions you are required to pay for your employees. This ensures all eligible employees are treated the same for SG purposes.

Ordinary Time Earnings are generally what your employees earn for their ordinary hours of work, including:

- Over-award payments
- Commissions
- Allowances, and
- Paid leave.

Refer to the checklist overleaf for more details.

OTE do not include overtime (subject to certain exceptions).

What does the change to OTE mean?

For most employers, nothing has changed. You will simply continue to pay super for your employees at 9% of their OTE rather than using another earnings base. However, some employers may have additional obligations under an award or workplace agreement or you may choose to make additional contributions on behalf of an employee.

Which employees do I have to pay super for?

Generally, you have to pay super for your employees if they:

- Are aged between 18 and 70
- Are paid \$450 (before tax) or more, in a calendar month
- Work full-time, part-time or on a casual basis →

USE THESE EXAMPLES AS A GUIDE TO SEE HOW IT MIGHT APPLY TO YOU

Example 1 — Your workplace agreement sets out the terms and conditions of employment. It stipulates ordinary hours as an average of 38 hours a week. It includes a standard requirement to work reasonable overtime clause, which gives you the right to require an employee to work reasonable overtime, but does not specify a number of required hours. For SG purposes, your required SG contribution should be calculated on the employee's earnings, based on 38 hours per week.

Example 2 — Your employer award outlines that ordinary hours average 38 hours per week. However, your workplace agreement requires that employees work a shift roster of an average of 42 hours per week. As the workplace agreement requires your employees to work an average of 42 hours per week, and those were the hours they actually worked on a regular basis, those hours are considered the 'ordinary hours of work' for SG. The agreement describes some of these ordinary hours as overtime hours but this does not override the fact that your employees are required to work these hours on a regular basis. This will be the case even where the additional hours attract an additional rate of pay. For SG purposes, your SG contribution should be calculated on earnings, based on 42 hours per week.



OTE CHECKLIST — What is included in OTE?

To make sure that you comply with the law, refer to this checklist which shows what is included in OTE.

Payment type	Salary or wages	Ordinary time earnings
Expense allowance that is paid with the expectation that it will be fully expended in producing income (for example, car allowance paid to real estate agents)	No	No
Allowances paid (other than a reimbursement of expenses or expense allowance) Allowances paid must be in respect of ordinary hours. For example, an overtime meal allowance would not be paid for work done during ordinary hours (subject to the exceptions related to overtime)	Yes	Yes
Reimbursement of expenses (for example, travel costs)	No	No
Bonuses that don't relate to specific performance criteria (for example, Christmas bonuses)	Yes	No
Other bonuses	Yes	Yes
Commission	Yes	Yes
Over-award payments	Yes	Yes
Shift loading	Yes	Yes
Overtime However, for an employee who is required under a workplace agreement to regularly work a specified number of hours in excess of the standard 38 hours per week, you must pay super contributions on the total hours worked (including those hours regularly worked in excess of the standard 38 hours per week)	Yes	No (Subject to certain exceptions, see examples on previous page.)
Casual loading	Yes	Yes
Benefits subject to fringe benefits tax (FBT)	No	No
Workers compensation payments, including top-up payments where no work is performed	No	No*
Workers compensation payments (including top-up payments) paid by the employer, where work is performed	Yes	Yes
Top-up payments (for example, when serving on jury duty or with reserve forces)	Yes	No
Payments when on maternity or paternity leave	Yes	No
Pay for annual holiday leave taken	Yes	Yes
Government wage subsidies (for example, Wage Subsidy Scheme allowance)	Yes	Yes
Annual leave loading	Yes	No
Pay for sick leave taken	Yes	Yes
Pay for long service leave taken	Yes	Yes
Accrued annual leave, long service leave and sick leave paid as a lump sum on termination	Yes	No
Payments in lieu of notice	Yes	No
Redundancy payments	Yes	No
Other payments paid by an employer on termination of employment	Yes	No
Director's fees	Yes	Yes
Payments for performance in, or provision of services relating to entertainment, sport, promotions, films, discs, tapes, TV, or radio	Yes	Yes
The labour portion of payments to contractors who are employees for super guarantee purposes	Yes	Yes
Dividends	No	No
Partnership and trust distributions	No	No
Payments for entering into a restraint of trade agreement	No	No
Payments for domestic or private work for 30 hours or less per week	No	No

*You may be required to pay super on Work Cover if stipulated in an Award or EBA

What is the SG Charge?

The SG Charge is a penalty placed on employers who fail to meet their superannuation obligations within a specified time frame.

You must pay the charge if you do not pay:

- Enough super contributions (at least 9%) for each eligible employee
- Super contributions by the cut-off date for payment, or
- Super to each employees' chosen super fund.

If you don't meet your obligations, you will be liable to pay the charge as well as any shortfall in contributions to your employees and you will not be able to claim a tax deduction for the contributions you make.

What happens if I don't pay enough super?

If the superannuation amount you have been paying for your employees is less than the minimum 9% of OTE, you will need to increase the amount to meet the minimum requirement to avoid the SG Charge.

Want more information?

If you are still unsure about what constitutes OTE and how to calculate your superannuation contributions you can visit the Australian Taxation Office (ATO) website or phone them on **13 10 20** or you can speak to your local BUSS(Q) Employer Representative:

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WORKPLACE VISITS

Your BUSS(Q) Employer Representative (see over for details) will be happy to visit your workplace and help with super queries. That way, you can stay up to date on BUSS(Q) product enhancements and changes to legislation, while helping your staff become more informed about super.



STRONG INVESTMENT RETURNS

BUSS(Q) is one of Australia's top performing super funds and has consistently outperformed other super funds over the long term.



LOW FEES

BUSS(Q) keeps its fees low to ensure more money goes to members. There are NO establishment or contribution fees and our direct administration fee is only \$1.50 per week.



INVESTMENT CHOICE

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INDUSTRY SUPER FUND

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FINANCIAL PLANNING ADVICE AT NO EXTRA COST

BUSS(Q) gives members access to practical financial advice about their super at no extra cost, as it's included in the BUSS(Q) administration fee. Speak to a financial adviser over the phone or in person by contacting us on **FREECALL 1800 657 216**.

BUSS(Q) 0909



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