



## HR Business Solutions HR HOT TOPIC JULY 2007

# Remuneration Implications now for changes in 2008

Legislation passed in 2004 means that as of July 1, 2008, employers will have to change the way they calculate superannuation. Minimum superannuation payments must now be based on employee's ordinary time earnings (OTE), which may be different from the current earnings base of some employees.

The definition of OTE will be an employee's earnings in respect of ordinary hours of work including:

- over-award payments;
- commissions;
- bonuses;
- shift allowances; and
- paid leave.

This means that employers will need to contribute 9% of any bonuses or commissions paid to employee's superannuation funds. Employers will need to decide whether they will simply pay the contributions, or whether the 9% will be deducted from any bonus or commission paid.

Example:

*Joe received a bonus of \$10,000 in 2007 which was not subject to superannuation. Joe therefore received the entire \$10,000 in cash. Joe received the same bonus in 2008 which is now subject to the superannuation requirement. Joe's employer must decide whether to contribute an extra \$900 to Joe's fund, or decrease the bonus by \$826 to \$9174 so that \$826 can be paid into super.*

### Considerations for Employers:

- What will be the financial impact of the changes to wages and salaries?
- How will these changes impact current remuneration, bonus and commission arrangements?
- What changes will have to be made the structure and payment of bonuses and commissions now included in OTE?
- Do current employment contracts enable superannuation to be inclusive of bonus and commission payments?
- What changes will need to be made to Human Resources Systems?
- How will this change be communicated to employees? This change should be marketed as effectively increasing the value of reward packages.

It is important for employers to make changes in their current remuneration reviews to plan for these changes next year. HR Business Solutions can assist employers by providing practical advice on salary, remuneration and bonus arrangements. We can also help employers to design bonus and incentive schemes, review existing remuneration, reward and incentive arrangements, provide salary recommendations for annual remuneration reviews and provide general remuneration advice.

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