

*A guide for individuals*

## Superannuation guarantee

The facts for employees. What the superannuation guarantee means to you.



**SUPER**  
*It pays to take an interest*



This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth. Requests and inquiries concerning reproduction and rights should be addressed to Commonwealth Copyright Administration, Department of Communications, Information Technology and the Arts, GPO Box 2154, Canberra ACT 2601 or by email **Commonwealth.copyright@dcita.gov.au**

© Commonwealth of Australia 2002

ISBN 0-642-18225-6

***Disclaimer and guarantee***

The information in this publication is current at October 2002 and we have made every effort to ensure it is accurate. However, if something in the publication is wrong or misleading and you make a mistake as a result, you will not be charged a penalty. You may have to pay interest, depending on the circumstances of your case.

You are protected under GST law if you have acted on any GST information in this publication. If you have relied on GST advice in this ATO publication and that advice has later changed, you will not have to pay any extra GST for the period up to the date of this change. Similarly, you will not have to pay any penalties or interest.

If you feel this publication does not fully cover your circumstances, please seek help from the ATO or a professional tax adviser. Since we regularly revise our publications to take account of any changes to the law, you should make sure this edition is the latest.

# About this booklet

## **The facts for employees**

This booklet is for employees. An employee is an individual who receives payment in the form of salary or wages, in return for their labour or services.

A person may also be an employee if they are engaged under a contract that is wholly or principally for their labour. For further information see the topic titled 'Are you covered?'.

## **What is the superannuation guarantee?**

The superannuation guarantee means that most Australian workers are provided with superannuation contributions by their employer. Your employer should either contribute to a complying superannuation fund or Retirement Savings Account (RSA) for you or pay the Superannuation Guarantee Charge (SGC). If your employer pays the charge the Australian Taxation Office (ATO) will then pay an amount into a superannuation provider of your choice.

The aim is to ensure that as many Australians as possible enjoy the benefits of a superannuation income in their retirement.

The superannuation guarantee will help reduce the cost of providing the age pension – lowering everyone's tax burden in the future. However, the superannuation guarantee does not replace the age pension. This will continue to be available for those who need it. For most people, the superannuation income will supplement the age pension to give a greater level of comfort in retirement.

## **What it means to you**

The superannuation guarantee is an obligation on your employer, not you. You are not obliged to pay or do anything unless you employ someone.

If you are an eligible employee (full-time, part-time or casual worker) your employer should contribute to a superannuation provider for you.

These contributions must be at least the minimum level set down by the Government.

The money invested on your behalf is yours to use when you retire. If you change employers, your superannuation benefits may be transferred to any other superannuation provider which will accept them. This means that you can now 'take your superannuation with you' when you change jobs, and it will continue to grow for your retirement.

## **How the superannuation guarantee works**

Your employer should be making superannuation contributions for you into a complying superannuation fund or an RSA. A complying fund is one which meets government standards.



*TIPS*

*The charge percentages for earlier years can be obtained by calling the Superannuation Infoline on **13 10 20**.*

The level of these contributions has been set at a fixed percentage of your earnings base. The charge percentage for the 2002 year and subsequent years is 9% of your earnings base.

If your employer does not make sufficient superannuation contributions for you they will have to pay a charge to the ATO. This charge will be used to provide superannuation benefits for you.

### Are you covered?

Your employer should provide you with superannuation support, unless you are:

- paid less than \$450 gross in a calendar month;
- 70 years of age or over;
- under 18 years of age and working not more than 30 hours a week;
- employed for domestic or private work for not more than 30 hours a week;
- a non-resident employee paid for work done outside Australia;
- a non-resident receiving salary or wages solely in relation to employment of the Goodwill Games during the period beginning 16 August 2001 and ending on 30 September 2001;
- temporarily working in Australia for an overseas employer and are covered by a Bilateral Superannuation Agreement. A Certificate of Coverage must be presented in order to get the exemption;
- a resident employee paid for work done outside Australia for a non-resident employer;
- some foreign executives who hold certain visas or entry permits under the Migration (1993) Regulations and Migration Regulations 1994. For further information please contact the Superannuation Infoline on **13 10 20**;
- a member of the Army Reserve. The Army Reserve is not required to provide superannuation support for you;
- receiving salary or wages under the Commonwealth Government Community Development Employment Program (CDEP);
- electing not to receive superannuation guarantee support because your accumulated superannuation benefits exceed the pension reasonable benefit limit.

### Are contractors covered?

The superannuation guarantee covers workers engaged under a contract that is wholly or principally for their labour. Even if the person quotes an Australian Business Number (ABN), the person may be an employee for superannuation guarantee purposes. The other party to the contract is the employer. For more information on this issue you should contact the Superannuation Infoline on **13 10 20**.

## Your employer's obligations

Superannuation contributions should be paid into a complying superannuation fund or RSA for you by 28 July after the end of the financial year.

From 1 July 2003, superannuation contributions will need to be made on a quarterly basis. Sufficient superannuation contributions will have to be made for each quarter by the following due dates:

Quarter	Due date
1 July–30 September	28 October
1 October –31 December	28 January
1 January–31 March	28 April
1 April–30 June	28 July

Your employer must either:

- already be paying sufficient superannuation contributions for you;
- start (or increase) superannuation contributions for you at the level set out in the superannuation guarantee legislation; or
- pay the SGC to the ATO.

The charge should be paid by 14 August following the end of the financial year.

From 1 July 2003, under the new quarterly superannuation guarantee legislation, the charge should be paid after the end of each quarter by the following dates:

Quarter	Due date
1 July–30 September	14 November
1 October –31 December	14 February
1 January–31 March	14 May
1 April–30 June	14 August

### What if you already have personal superannuation?

If you make your own contributions into a personal superannuation fund or RSA, your employer is still required to meet their obligations under the superannuation guarantee.

Your personal superannuation contributions do not count towards the contributions your employer has to make, even if they handle your payments for you.

To find out if your personal contributions entitle you to a deduction or tax offset on your income tax, you can talk to your professional tax adviser, or refer to the information in *TaxPack*.

### What happens if your employer pays the charge?

If your employer pays the SGC you will be sent a voucher from the ATO. This voucher sets out your entitlement to claim a superannuation credit for any employer contributions which have been paid to the ATO.

From 1 July 2003, the Commissioner can deposit your entitlement directly into your superannuation account where the Commissioner is satisfied that the account belongs to you. A nomination will no longer need to be received.



**The voucher is not a cheque.** You can claim the credit by presenting the voucher to a complying superannuation fund, RSA, approved deposit fund (ADF) or eligible roll-over fund of your choice. The fund will then make arrangements for the ATO to pay the credit into your superannuation account.

### What to do if you receive a voucher

If you receive a superannuation guarantee voucher, you should follow these steps:

- find a superannuation provider that will accept the voucher; and
- send the voucher to the superannuation provider.

If the voucher specifies a superannuation fund, ADF or RSA then you should either:

- do nothing if you want the ATO to pay the credit into your superannuation account; or
- lodge a written nomination to the ATO within 28 days specifying another fund you want the monies credited to.

If you send the voucher to a superannuation provider that cannot or will not accept it, the provider is required to send it back to you within **fourteen days**.

### Which provider should the voucher be sent to?

The voucher can be sent to any superannuation provider you choose, as long as the provider agrees to accept the voucher.

To give your superannuation the best chance to grow for your retirement, it is generally best to deposit the voucher into a fund or RSA where you are already a member. If you are a member of a fund or RSA, they should send you a statement each year. If this has happened, you could try to deposit your voucher with this provider.

To help you do this, you could use the information from your statement (such as your membership number). Your employer may also be able to give you the details of a fund or RSA where they have already deposited money for you.

### What will they do with your voucher?

The superannuation provider must give you a receipt for your voucher. If the provider is unable to accept your voucher, you should be notified by the provider within fourteen days.

If the superannuation provider will accept your voucher, they will send it to the ATO and claim the superannuation credit on your behalf. The superannuation credit will stay in your account and grow for your retirement.

### Can you receive the entitlement directly?

If you have retired due to permanent incapacity or permanent invalidity, you can ask the ATO to pay the entitlement outlined in your voucher directly to you.

To claim a direct payment, you should return the voucher to the ATO with:

- a written notice of retirement signed by you; and
- a copy of a certificate signed by two registered medical practitioners certifying that you are unlikely to be able to work again in a capacity for which you are reasonably qualified by education, training or experience.

The Commissioner will be able to pay the entitlement directly to persons aged 65 years or over. These amounts will be treated as eligible termination payments.

### What if the person is deceased?

If a voucher is issued to someone who is deceased the ATO will pay the amount directly to the personal legal representative of the deceased employee.

To claim direct payment, the legal personal representative must return the voucher to the ATO, along with:

- a written notice signed by the representative, advising of death; and
- a copy of the death certificate of the deceased employee.

### Common misconceptions

The voucher is not a cheque and cannot be cashed. It is a document which details an employee's entitlement to employer superannuation support which has been paid to the ATO as the SGC.

The voucher **should not be put aside until tax time**. It should be forwarded as soon as possible to the superannuation provider of the employee's choice so that the entitlements can be transferred from the ATO to the superannuation account.

The voucher **should not be sent back to the ATO** unless the person is claiming direct payment because of an invalidity or disability. If an employee has died, then the amount of the voucher will be paid to the legal personal representative of the employee.

## Protection of small superannuation amounts

### What is member protection?

Superannuation funds (other than self managed superannuation funds) have to protect small superannuation amounts of less than \$1000. This means, from 1 July 1995, most administrative fees and charges cannot exceed the investment earnings on a member's balance.

The members who will be protected are those who have balances which:

- contain some superannuation guarantee or award moneys; and
- are less than \$1000 at the end of any given reporting period.

Funds will be unable to hold on to these small superannuation amounts without protecting them.

RSA providers are also subject to the member protection rules.

### What does a fund need to do if it decides not to hold on to and protect small superannuation amounts?

Funds which decide not to hold on to small amounts will have to protect them by transferring them to a fund or RSA which will 'member protect'. This applies even if the small amounts arise after 1 July 1995.



### **What fees and charges are members protected against?**

Administration costs, including:

- fees when joining or leaving the fund or RSA
- regular charges; and
- asset management fees.

Small superannuation amounts will still be affected by:

- taxation charges
- insurance premiums; and
- investment returns of funds only (ie. either where the fund makes a loss or where the fund's total investment earnings are insufficient to pay its total administration costs).

### **What if your employer cannot find a provider which accepts small superannuation amounts?**

The ATO has established a collection system, called the Superannuation Holding Accounts Reserve (SHAR), to receive small superannuation amounts from employers who are unable to find a provider that 'member protects'. The SHAR is not a superannuation fund. This means it is not required to meet all the obligations relating to superannuation funds and can therefore be run at a lower cost.

### **When can the payments be made?**

Payments to SHAR have been accepted since 1 July 1995. However, for payments to satisfy the superannuation guarantee requirements, they will need to be made by 28 July following the end of a particular financial year.

### **How can the payments be claimed?**

If your employer has paid superannuation contributions into SHAR for you, you can have your entitlement transferred into a superannuation fund or RSA by sending a request in writing to the ATO. The whole balance must be transferred – partial transfers are not allowed.

Your entitlement can be paid directly to you in some cases:

- disability – requires certification from two medical practitioners
- receipt of commonwealth income support payments (for further information see an individual's application for direct payment form). A letter should be included from the Commonwealth Department or agency administering the payment to confirm the details
- aged at least 55 years, not a resident of Australia for income tax purposes, and either not in employment or employed but the duties are performed wholly or principally outside Australia
- aged 65 years or over
- if the balance is less than \$200 and employment with the employer that made the deposit has ended
- temporary resident – where you have held an eligible temporary visa, as listed in the Superannuation Industry (Supervision) Regulations, which has expired or cancelled and you have left Australia permanently.

If a person with entitlements in SHAR dies, their legal representative can apply to the ATO for a direct payment of the entitlement to the estate.

### Can SHAR be offered as one of the funds to satisfy the proposed choice of funds legislation?

An employer cannot offer SHAR as one of the four funds to satisfy his or her choice of funds obligations.

### Will the payments be reduced by fees and charges?

Payments will not be reduced by fees and charges while they are in SHAR. However, when the balance is transferred to a suitable superannuation provider, the amount will be treated as an employer contribution and will be taxed.

### Other small amounts issues

The Government is supporting a number of additional measures to reduce the costs of small accounts, including:

- encouraging industry initiatives such as the transfer protocol (the simplification of reporting requirements applying to the transfer of amounts from one fund to another)
- use of tax file numbers to assist in tracking lost members and helping to amalgamate accounts.

### Keeping track of your superannuation

Since the superannuation guarantee was introduced in 1992, many people have had superannuation for the first time, particularly part-time, casual and seasonal workers. As people change jobs, they sometimes lose track of their superannuation benefits. Because of this, there are many superannuation benefits in Australia whose owners are 'lost'.

The ATO has built a register of lost members, so that people who have lost contact with their benefits can regain control of their superannuation money. The register is called the Lost Members Register (LMR). The LMR holds lost member details from all regulated superannuation funds (except for self managed superannuation funds) in Australia. People are able to call the Superannuation Infoline on 13 10 20 to find out if they have a lost benefit.

#### TIPS

**An individuals application for direct payment form (NAT 2373) must be completed when you are requesting a withdrawal of your account balance held in SHAR.**

To obtain a copy of the form:

- call the ATO Publications Distribution Service on **1300 720 092**.
- call the Superannuation Infoline on **13 10 20**.
- visit the ATO superannuation website at **[www.ato.gov.au/super](http://www.ato.gov.au/super)**

#### TIPS

You can download the **Lost Members Register Enquiry form** from the ATO superannuation website at **[www.ato.gov.au/super](http://www.ato.gov.au/super)**



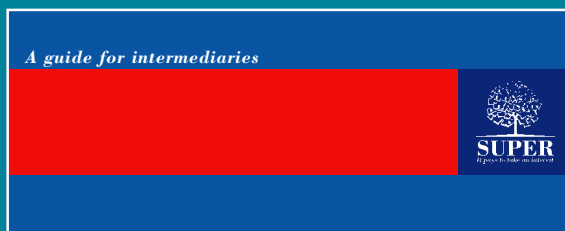
### Need more information?

For further information on this topic:

- visit the ATO Superannuation website at [www.ato.gov.au/super](http://www.ato.gov.au/super)
- phone the Superannuation Infoline on **13 10 20** for the cost of a local call
- You can write to:  
**Superannuation Business Line**  
**Australian Taxation Office**  
**PO Box 277**  
**WTC VIC 8005**
- obtain *A Fax from Tax* on **13 28 60**
- if you do not speak English and need help from the ATO, phone the Translating and Interpreter Service on **13 14 50**
- people with a hearing or speech impairment with access to appropriate teletypewriter or modem equipment can communicate with the ATO by first contacting the Australian Communication Exchange Relay Service on **13 25 44**.



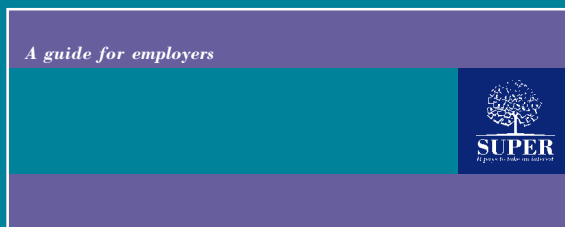
To simplify the identification of publications, the ATO's Superannuation Business Line has colour coded material addressed to a particular audience



Colour scheme for all publications addressed to intermediaries



Colour scheme for all publications addressed to individuals



Colour scheme for all publications addressed to employers



Colour scheme for all publications addressed to retirement product providers