UP WE GO AGAIN – FINANCIAL THRESHOLD INCREASES EFFECTIVE 1 JULY 2016

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Labour, Employment and Workplace Safety Alert

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WHAT BUSINESSES NEED TO KNOW BEFORE THE 1 JULY 2016 THRESHOLD INCREASES

Employers should be alert to the threshold changes which come into effect on Friday 1 July 2016 when the 2016/17 financial year commences in Australia.

Below we provide a summary of the changes and what they mean in practice for employers.

NATIONAL MINIMUM WAGE (BEFORE STATUTORY SUPERANNUATION)

2015/2016 Financial Year	2016/2017 Financial Year
AUD656.90 per week	AUD672.70 per week
AUD17.29 per hour	AUD17.70 per hour

On 31 May 2016, the Fair Work Commission minimum wage panel delivered a 2.4% increase to all modern award rates from 1 July 2016. As a result of the decision, the national minimum wage will increase by AUD15.80 per week to AUD672.70 per week.

The Fair Work Commission will shortly update all wage rates set out in modern awards. Employers are required to pay employees at the increased rates from the first full pay cycle starting on or after 1 July 2016.

HIGH INCOME THRESHOLD AND MAXIMUM COMPENSATION FOR UNFAIR DISMISSAL (UFD)

2015/2016 Financial Year	2016/2017 Financial Year
AUD136,700 per annum (High Income Threshold)	AUD138,900 per annum (High Income Threshold)
AUD68,350 (Maximum Compensation for UFD)	AUD69,450 (Maximum Compensation for UFD)

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As of 1 July 2016, the high income threshold will increase to AUD138,900 per annum. Employers should take note that as of 1 July 2016:

- award/agreement free employees earning above AUD138,900 will not be eligible to bring an unfair dismissal claim
- AUD69,450 will be the maximum financial compensation available for unfair dismissals effected after 1 July 2016
- where an employer provides a guarantee of annual earnings, the amount of the guarantee will be required to exceed AUD138,900 in order to exclude the application of a modern award that otherwise covers the employer.

ANNUAL SUPERANNUATION GUARANTEE CONTRIBUTION

2015/2016 Financial Year	2016/2017 Financial Year
9.50%	9.50%
Maximum contribution base of AUD203,240 per annum or AUD50,810 per quarter	Maximum contribution base of AUD206,480 per annum or AUD51,620 per quarter

The superannuation guarantee contribution rate remains at 9.5%, however the maximum quarterly and yearly contribution base has increased to AUD51,620 and AUD206,480 respectfully. The next increase in the superannuation guarantee contribution is scheduled to take effect in 2021.

Employers are required to contribute 9.5% of an employee's salary up to the maximum contribution base of AUD206,480 per annum in the 2016/17 financial year. There is no statutory obligation for employers to pay superannuation on amounts earned over the maximum contribution base. Employers should also check contracts to ensure there is no contractual obligation to provide superannuation beyond the maximum contribution base.

TAX FREE GENUINE REDUNDANCY PAYMENTS

2015/2016 Financial Year	2016/2017 Financial Year
AUD9,780 base	AUD9,936 base
AUD4,891 per completed year of service	AUD4,969 per completed year of service

From 1 July 2016, the tax concessions that apply to redundancy payments will increase. Tax concessions apply where an employee is made redundant and paid an amount in respect of redundancy. Where an employee receives a redundancy amount, they will now receive AUD9,936 plus AUD4,969 per completed year of service tax free.

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For example, if an employee has been employed by their employer for five years and is dismissed because of redundancy in the 2016/17 financial year and receives a redundancy payment of AUD50,000, the redundancy payment will be taxed as follows:

Tax free amount:
AUD9,936 (base tax free amount)
+
AUD24,845 (being AUD4,969 x 5 years of service)
= AUD34,781 - tax free

Remaining employment termination payment:
AUD50,000 (being the total redundancy amount)
–
AUD34,781 (tax free amount calculated above)

= AUD15,219 - taxed as an employment termination payment generally at the concessional tax rate of 32% subject to the age of the employee and applicable caps.

MAXIMUM FW ACT PENALTIES FOR CORPORATIONS (300 PENALTY UNITS)

2015/2016 Financial Year	2016/2017 Financial Year
AUD54,000	AUD54,000

The maximum penalty for a breach of the *Fair Work Act 2009 (Cth)* will remain at AUD54,000 for a corporation in the 2016/17 financial year.

The *Crimes Act 1914 (Cth)* provides for an automatic adjustment to the penalty unit in line with inflation every three years. The next amendment is scheduled to take effect in 2018.

CAN WE HELP?

If you have any questions about the effect of the 1 July 2016 threshold increases on your payment obligations as an employer, please do not hesitate to contact our Labour, Employment and Workplace Safety team.

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