

Subject: Increase of the Superannuation Guarantee contribution rate to 10%

The minimum superannuation contribution rate on ordinary times earnings paid to your employees is about to increase from 9.5% to 10%. This takes effect from 1 July 2021.

Computer based pay-roll systems should make the correct calculations automatically. Digital Service Providers, that produce pay-roll software will have been contacted by the ATO and software should be compliant with the change.

If your pay-roll system is not a computer based software package, you will need to make the calculations yourself.

There may be an important decision you will need to make in relation to this change. Under the terms of the employment contracts you have with your employees, if you are able, do you want your business to fund the increase in contributions or do you want your employees to fund the increase, thus lowering the take-home pay of your employees? Whatever decision you make at this time, may set a precedent for what you will do in future years. The superannuation contribution rate is proposed to increase by 0.5% each financial year until the rate reaches 12% on 1 July 2025.

If you want your employees to fund the increase in the contributions by having a lower take-home pay, you may need to obtain legal advice on your employee's employment contracts. As part of that process, you may want to change what your employment contracts say in relation to superannuation guarantee contributions.