

Super factsheet

Ordinary Times Earnings (OTE)

Since 1 July 2008, all Superannuation Guarantee (SG) contributions must be calculated using ordinary time earnings (OTE) as the earnings base. In May 2009, the ATO issued a new ruling on the meaning of OTE in relation to superannuation, which applies from the quarter beginning 1 July 2009. The new ruling ensures consistency for all employees. We provide the table below as a guide for employers to work out which type of payments make up OTE..

Ordinary time earnings (OTE) as at 1 July 2009	Not Ordinary time earnings (OTE) as at 1 July 2009
Allowances paid (other than reimbursement of expenses)	Accrued annual leave, long service leave and sick leave paid as lump sum on termination
Casual loading	Annual leave loading
Commission	Benefits subject to FBT (fringe benefits tax)
Directors' fees	Bonuses that do not relate to specific performance criteria
Government wage subsidies (e.g. Jobstart)	Maternity/paternity leave payments
Other bonuses (ie Christmas bonuses)	Other payments made by an employer on termination of employment
Over-award payments	Overtime (Generally not, only in specific circumstances)
Pay for annual holiday leave	Redundancy payments
Pay for long service leave taken	Reimbursement of expenses (e.g. travel costs)
Workers compensation payments (including top-up payments), where work is performed	Top-up payments (e.g. when serving on jury duty or with Reserve payments)
Payments to a contractor who is an employee under Superannuation Guarantee Administration Act 1992 (labour portion only)	Workers compensation payments including top-up payments when no work is performed
Shift loading	
Pay for sick leave taken	
Payments in lieu of notice	

The Australian Taxation Office (ATO) has produced a checklist for employers in relation to OTE, which we have replicated below. Please note that this information is only a guide. For more information, visit www.ato.gov.au or call your financial adviser.

Preparation checklist for employers	
Have you reviewed the earnings base for all your employees to ensure that you are calculating your super contributions based on OTE?	✓
Have you reviewed the checklist on the Tax Office website (www.ato.gov.au) to identify what is included and excluded from ordinary time earnings? You should use this checklist to update any software or payroll systems you are using as the Tax Office will not be issuing electronic media specifications for OTE.	
If you are paying your employees bonuses, are you including bonuses when calculating the super guarantee (some exceptions do apply e.g. Christmas bonuses)?	
If you are paying your employees allowances, are you including allowances when calculating the super guarantee (there are exceptions for reimbursements or fully expended allowances)?	
If you are paying your employees commissions, are you including these when calculating the SG?	
Have you considered the cost impact on your business, if you are required to increase your contributions?	
Do you have the correct systems in place to handle a change in your super contributions?	
Do you have a strategy in place to inform your employees of possible changes to their super contributions?	