
High earner threshold increases

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In brief

High income threshold levels that may determine access to unfair dismissal laws and application of award terms have increased, effective 1 July 2017. Threshold rates continue to push well past median wages, where many senior manager-level salaries will fall under the threshold. Other changes to concessional superannuation and tax rates took effect from 1 July 2017.

In detail

High Income Threshold and Compensation Increase

As of 1 July 2017, the High Income Threshold increased to \$142,000 per annum (from \$138,900). The High Income Threshold is set under the *Fair Work Act 2009* (Cth) and its regulations, and is relevant to:

- determining whether an award or agreement-free employee can access unfair dismissal laws;
- the maximum compensation that can be awarded in unfair dismissal proceedings: this has increased to \$71,000 (up from \$69,450) being equivalent to 6 months, or half of the High Income Threshold; and
- setting the minimum threshold at which an employer and employee can enter into a ‘guarantee of earnings’ to avoid the application of award terms that otherwise cover a particular employee.

The High Income Threshold is based on salary and wages, but does not extend to variable income such as bonus, commission or other incentive schemes, overtime or penalty rates that are not determinable in advance, or statutory superannuation contributions. The value of non-cash items, such as use of a company car, may not count towards calculating an employee’s income for the purposes of the High Income Threshold.

As such, the level of the High Income Threshold sets a high bar, where senior managers (particularly those with a high proportion of variable pay such as salespersons on commission plans) may fall well under the threshold.

Other 1 July 2017 Changes

Employers should also be mindful of other changes affecting employee benefits that took effect from 1 July 2017, including:

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- changes to the concessional (before-tax) contribution cap on superannuation contributions: this cap has now been lowered to \$25,000 from \$30,000 for people of any age;
 - the maximum superannuation contribution base threshold for the purposes of calculating the superannuation guarantee charge has now increased to \$52,760 per quarter (up from \$51,620); and
 - the tax-free threshold for genuine redundancy payments for eligible employees has increased to a base rate of \$10,155 (up from \$9,936), plus an additional amount of \$5,078 for each completed year of service (up from \$4,969).

The takeaway

- The High Income Threshold continues to be well above median wages rates. The salary levels of senior staff may fall below the threshold.
- Employers with high income employees who have earnings guarantees in place must ensure that these instruments reflect the new High Income Threshold, taking account of the limited type of remuneration that can be included when considering whether an employee's remuneration meets the threshold.
- With upcoming year-end reviews of staffing levels, employers should otherwise be mindful of contribution cap changes and indexation increases.

Let's talk

For a deeper discussion of how these issues might affect your business, please contact:

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