Types of contributions to report

How to classify and report contributions, including employer contributions and non-employer contributions.

QC 82652

Classifying and reporting transactions

How to classify contributions, including difficult ones.

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Classifying transactions

When you receive a contribution or report an event, you should determine what type it is to ensure you report it correctly.

How you classify the contribution in your reporting will depend on:

- where the contribution has come from or how the event originated
- the information provided by the contributor at the time of the contribution or event
- the decisions you make about how it will be treated by you.

When you accept a contribution, you need to collect information that will help you to correctly determine what type of contribution it is. Generally, you should be able to answer the following questions for each contribution:

- Who is the contribution for?
- Who made the contribution?
- What is the contributor's relationship with the member for whom the contribution was made (that is, are they the member themselves, the member's employer, the member's spouse or another third party, such as other family and friends)?
- What was the purpose of the contribution?
- Did the contributor provide a valid notice of election to treat the contribution in a particular way?

Use the information you collect, the Member Account Transaction Service business implementation guide (MATS BIG) and this protocol to help you correctly classify and report contributions and events. An explanation of each field, which adds to and supports the explanations given in the MATS BIG, is provided in this **protocol**.

We use the contributions information you and other providers report to us, as well as deduction information from your members' tax returns, to determine which contributions are:

- eligible personal contributions – so we can determine super co-contribution entitlement and eligibility for deductions or schemes, for example, First Home Super Saver Scheme (FHSS)
- concessional contributions – so we can determine low income super amount entitlements for the financial year, and assess member tax liabilities in relation to the concessional contributions cap and Division 293
- non-concessional contributions – so we can assess member tax liabilities and eligibility for deductions or schemes.

Insurance premiums are contributions

Insurance premiums paid to you are contributions. If they are paid by the member, they are considered to be personal contributions. If they are paid by the member's employer (whether directly to the insurer or to you) they are considered employer contributions. This is true in all circumstances, including for risk-only or insurance-only policies where the super benefit afforded provides cover for death, disability or sickness only – that is, contributions are not accumulated in an account for the benefit of the member. The relevant field to report these is specified further in the protocol.

If your liabilities, such as insurance premiums, are paid for by employers or other third parties, you have an obligation to record and report them as contributions attributable to the relevant members.

Your members may be unaware that contributions of this nature are being made for them and may inadvertently exceed the contributions caps. Consider bringing this issue to the attention of your members and associated employers and third parties so that they are able to manage their contributions in an informed way.

Contributions made by an employer that are personal contributions

In some circumstances, contributions made by an employer from an employee's after-tax take-home pay need to be classified as personal contributions. These include where:

- the employer has an obligation to make such contributions and the employee has no choice, for example, under the rules of an employer-sponsored super fund or the rules of a defined benefit scheme
- the employer is voluntarily directed to make such contributions by the employee, for example, under arrangements authorising a regular pay-roll deduction.

Contributions for spouses or children

Employer contributions should be reported at one of the Employer contributions fields, if they are:

- contributions made by an employer for the employer's spouse – you should not report these at the Spouse contributions field unless the employer is acting in their capacity as the spouse of the member rather than as an employer
- contributions made by an employer for a child employee under 18 years of age – you should not report these at the Child contributions field unless the employer is acting in their capacity as a relative or friend rather than as an employer.

Defined benefits and constitutionally protected funds

As well as reporting any actual employer contributions paid in relation to a member's accumulation interest, if you are a defined benefit scheme or a constitutionally protected fund, you may need to report contributions in relation to a member's defined benefit interest. These contributions are referred to as notional taxed contributions and defined benefit contributions.

These are not reported at the Employer contributions fields, refer to the **Annual obligations and balance amounts** protocol.

Both contribution types are generally intended to reflect what an employer would have needed to contribute in that year to fund the member's expected final benefit. However, they are calculated differently and should not be confused with each other. You should determine the amount for each member with the advice of an actuary.

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Employer contributions

When to report employer contributions in the employer contribution fields and when not to.

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Classifying employer contributions

Generally, super contributions made by your member's employer are included in one of the **Employer contributions** fields. However, this is not always the case, and you will need to implement systems and processes to distinguish between:

- employer contributions made by an employer
- personal contributions made by an employer on behalf of their employee.

You also have a duty to ensure this categorisation is understood and applied by your members and by their employers when they provide information to you. For example, you may need to work with an employer who incorrectly characterises members' salary sacrifice contributions as personal contributions.

Employer superannuation guarantee

These are:

- contributions made by an employer specifically to meet super guarantee requirements under the Superannuation Guarantee Administration Act 1992
- any super guarantee charge we contributed for a member – these are paid in lieu of contributions that an employer failed to pay for the member
- any amounts we contributed for a member by transfer from their super holding accounts (SHA) special account – but only to the extent that they are characterised as a taxable component. The taxable component represents employer contributions (such as super guarantee charge) that we have been holding in the SHA special account for the member.

Reporting contributions from the ATO

Historically, providers have reported all contributions to the ATO including those that have been sent to them via the ATO. From 2018–19 onwards, some contributions which are sent from the ATO to you no longer need to be reported, such as government co-contributions and low income super amounts.

The contributions received by you from the ATO that are still required to be reported from 2018–19 onwards are those listed above to be included at the employer super guarantee field. Any recoveries of these amounts must also be reflected in your reporting (either through an adjustment, or a cancel and re-report).

Employer salary sacrifice

These contributions are made by the employer as a result of a salary sacrifice arrangement, where the member agrees to forgo part of their before-tax salary or wage in return for their employer providing a super benefit of a similar value.

These contributions should not be confused with compulsory member contributions made before-tax which are funding a **defined benefit**. These are included in the actuarial calculation of notional taxed contributions and defined benefit contributions.

Employer award

These are contributions paid in addition to those required under the super guarantee obligations imposed by industrial agreements, awards, trust deeds or governing rules.

These may include amounts contributed by an employer:

- from a member's before-tax salary, in order to meet the mandated personal contributions to an accumulation scheme (where the member's voluntary component would be reported as Employer salary sacrifice and the mandatory component reported in this field as Employer award)
- under a Commonwealth, state or territory law governing the super entitlements of public sector employees.

Employer voluntary

These are contributions made as part of a remuneration package. They may exceed the minimum legal requirements imposed by industrial agreements, awards, trust deeds or governing rules.

Alternatively they can be contributions to fund costs such as insurance premiums paid for a member, where the contributions are not mandated in accordance with Part 5 of the Superannuation Industry (Supervision) Regulations 1994.

The type of employer contributions reported may have an impact on your member's:

- liability to certain taxes – for example, Division 293
- availability to participate in certain schemes – for example, the FHSS Scheme where only the salary sacrificed employer contributions would be available for release.

It's important for employers and providers to correctly characterise and report each contribution, using the Employer contribution categories.

Example: insurance premiums paid by the employer

Chef Pty Ltd sponsors a super fund for its employees called Chef Super Fund. Colin is a senior employee of the company and a member of the super fund.

The trustees of the fund insure the lives of the fund's members. The trustees are the policy holders. The aim of the insurance is to fund the super benefits payable upon Colin's death or permanent incapacity.

Chef Pty Ltd, as employer sponsor, complies with a certified agreement to pay the fund's annual life insurance premiums ($1,200) for Colin and does so on 1 June 2019. The insurance premium paid is in addition to the normal SG obligations for Chef Pty Ltd.

When Chef Super Fund reports for Colin for the 2018–19 financial year, it reports:

- the $1,200 insurance premium at the **Employer – award** field (see note)
- $4,900 at the **Employer – super guarantee** field
- $20,000 at the **Employer – salary sacrifice** field which Colin has salary sacrificed through a regular payroll deduction.

However, Chef Super Fund did not make Colin aware of the effect of these insurance premiums on his contributions.

Colin had set his salary sacrifice agreement to $20,000, which he believed kept his employer contributions (including the super guarantee component) from exceeding his concessional contributions cap of $25,000. However, with the premiums included he had exceeded the cap and was not aware until he received a letter from us about his potential liability for excess contributions tax.

Note: Where the payment or reimbursement of insurance premiums paid by the employer are made on a voluntary basis and are not mandated, there may be instances where an employer reports these insurance payments at the 'Employer – voluntary' field.

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Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.