

THE NATION

Errors with salary-sacrifice threaten workers' benefits

GEOFFREY NEWMAN
WEALTH EDITOR

TENS of thousands of Australians who sacrifice part of their salary into superannuation could miss out on government benefits or pay too much child support because employers are reporting their income incorrectly to the tax office.

Tax experts warn that many employers are getting their sums wrong under new reporting rules that require them to report salary-sacrificed super as assessable income.

This income assessment is used by Centrelink to assess eligibility for government benefits including the Family Tax Benefit. It also affects the level of child support paid and whether an employee is subject to the Medicare levy surcharge.

Brad Twentyman, Pitcher Partners director of superannuation, said the mistake was likely to affect "tens of thousands" of salary earners. He said 80 per cent of the clients whose records he had

checked had revealed employer errors.

"It potentially affects anyone who salary sacrifices to super and receives income-tested benefits, or anyone who salary sacrifices and who has payment obligations based on their level of income," Mr Twentyman said.

"Employers and payroll staff need to check their payroll systems, and quickly. It will be an ongoing disaster if they don't."

AccountantsRus chief Adrian Raftery estimated one in 10 employers were doing the wrong thing. Smaller employers were more likely to make errors than larger firms. "It's going to cause mayhem," he said.

Since July 1 last year employers have been required to report salary-sacrificed super contributions to the tax office because the ATO was concerned people were understating their income.

The error occurs because employers are using a lower, inaccurate figure for an employee's compulsory 9 per cent super contribution to calculate the

amount of super they report to the ATO. This results in the employee's reportable super contribution being larger than it should be, making the total income reported to the tax office higher.

An ATO official last night said it was aware some employers were reporting income incorrectly but would not know the extent of the problem because employers had until August 14 to lodge their PAYG payment summaries.

"We are urging employers to refer to the guidance available on our website, including the guidebook for employers to ensure they correctly report their employees' reportable super contributions," the official said. "Employees should also closely check their payment summaries and contact their employer if they think there is an error."