Payday Super

Excess Super Scenario Workaround Processes

This document outlines the manual workaround processes for the four previously identified Payday Super scenarios relating to redirected excess super. It follows our recent Payday Super communications, which advised affected customers that documented processes would be provided once the required investigation and validation work had been completed.

These workarounds are provided to help affected customers manage the identified scenarios while longer-term system updates and enhancements continue to progress.

Customers should review each scenario carefully and apply only the workaround relevant to their configuration and payroll circumstances.

Note: The 4 scenarios are only relevant to customers that are redirecting excess super.

Scenarios

The four scenarios below, requiring the redirection of excess super are dependent on comparing the Qualifying Earnings with the Maximum Contribution Base ($270,830). The second scenario identified that Qualifying Earnings were not being used for this comparison, therefore 3 or 4 the workarounds below will require calculating excess super using the concessional cap threshold ($32,500) on the **Superannuation Capping Group** (PCP).

Scenario 1: Tax treatment on redirected excess super

When excess super contributions are redirected and paid as salary, the correct tax treatment is not currently applied automatically.

Workaround

In this scenario, the **Calculate Pay** (CAL) form will be run twice, firstly to calculate the excess super contribution and secondly to tax the excess super contribution. The steps are:

- Create a capping group on the **Superannuation Capping Group** (PCP) form with *Super Capping* set to 32500, *Interval* set to Annual, *Method* set to **Accumulation** and *Contributions* set to **Company**.
- On the **Pension/Provident/Superannuation** (PTS) form, update each relevant fund with the Capping Group before mapping it to staff.
- Do not select *STP Maximum Contribution Base Capping* on the **Parameters** (CFP) form.
- Set the *MCB Excess Code* (e.g. **SALX**) on the **Salary** (SMN) form for the staff member.
- Run **Calculate Pay** (CAL). Take note of the excess super contribution amount redirected to the code (e.g. **SALX**).
- Create a **Next Pay Adjustment** (NPA) for the staff member, code (e.g. **SALX**) with the assigned excess super contribution amount.
- Clear the *MCB Excess Code* (e.g. **SALX**) on the **Salary** (SMN) form for the staff member.
- Run **Calculate Pay** (CAL) or **Current Pay** (CPA) to recalculate the staff member's pay. The code (e.g. **SALX**) will now be taxed.
- This process must be performed for each staff member whose excess super contribution amount is greater than zero.
- Reconcile and finalise your pay and perform all necessary reporting.
- In preparation for the next pay, assign the *MCB Excess Code* (e.g. **SALX**) on the **Salary** (SMN) form for the required staff.

Scenario 2: Maximum Contribution Base (MCB) calculation

The system is currently comparing the MCB against gross or taxable salary instead of qualifying earnings, which may impact contribution calculations.

Workaround

Use scenario 1 when your requirement is to redirect the excess super contribution amount to <u>one</u> salary code (e.g. either SALX or BONX or ANNX etc.).

Use scenario 3 when your requirement is to redirect and split the excess super contribution amount across multiple STP reporting categories (e.g. SALX and/or BONX and/or ANNX and/or etc).

Use scenario 4 when your requirement is to redirect the excess super contribution amount to a non-RESC fund and/or split the excess super contribution amount across multiple super funds.

Scenario 3: STP reporting for redirected excess super

Redirected excess super cannot currently be split across multiple STP reporting categories within the same pay run.

There are two workarounds depending on what components are being paid in the pay run.

First Workaround

The first workaround deals with the scenario where only one component is being paid in the pay run (e.g. Annual Leave only, Bonus Payment only). In this scenario, the **Calculate Pay** (CAL) form will be run twice, firstly to calculate the excess super contribution and secondly to tax the excess super contribution. The steps are:

- Create a capping group on the **Superannuation Capping Group** (PCP) form with *Super Capping* set to 32500, *Interval* set to Annual, *Method* set to **Accumulation** and *Contributions* set to **Company**.
- For all applicable staff, set the *Capping Group* on the **Pension/Provident/Superannuation** (PTS) form to the capping group created in the previous step.
- Do not select *STP Maximum Contribution Base Capping* on the **Parameters** (CFP) form.
- Set the *MCB Excess Code* on the **Salary** (SMN) form to the appropriate code (e.g. **ANNX** or **BONX**) for the staff member.
- Run **Calculate Pay** (CAL). Take note of the excess super contribution amount redirected to the code (e.g. **ANNX** or **BONX**).
- Create a **Next Pay Adjustment** (NPA) for the staff member, code (e.g. **ANNX** or **BONX**) with the assigned excess super contribution amount.
- Clear the *MCB Excess Code* (e.g. **ANNX** or **BONX**) on the **Salary** (SMN) form for the staff member.
- Run **Calculate Pay** (CAL) or **Current Pay** (CPA) to recalculate the staff member's pay. The code (e.g. **ANNX** or **BONX**) will now be taxed.
- This process must be performed for each staff member whose excess super contribution amount is greater than zero.
- Reconcile and finalise your pay and perform all necessary reporting.
- In preparation for the next pay, assign the *MCB Excess Code* (e.g. **SALX**) on the **Salary** (SMN) form for the required staff.

Note: if a bonus is scheduled for employees, it is suggested that a separate pay run is performed that only caters for the bonuses as this approach is easier than the second.

Second Workaround

This scenario deals with two or more components being paid in the pay run and is more complicated. Follow the same steps as outlined in items 1 above:

- Create a capping group on the **Superannuation Capping Group** (PCP) form with *Super Capping* set to 32500, *Interval* set to Annual, *Method* set to **Accumulation** and *Contributions* set to **Company.**

- For all applicable staff, set the *Capping Group* on the **Pension/Provident/Superannuation** (PTS) form to the capping group created in the previous step.
- Do not select *STP Maximum Contribution Base Capping* on the **Parameters** (CFP) form.
- Set the *MCB Excess Code* on the **Salary** (SMN) form to the appropriate code (e.g. **SALX**) for the staff member.
- Run **Calculate Pay** (CAL). Take note of the excess super contribution amount redirected to the code (e.g. **SALX**).
- You will be required to manually apportion the excess super contribution amount to the various STP reporting categories (i.e. amount for bonus, amount of leave, etc.) and create associated **Next Pay Adjustment** (NPA) entries.
- Clear the *MCB Excess Code* (e.g. **SALX**) on the **Salary** (SMN) form for the staff member.
- Run **Calculate Pay** (CAL) or **Current Pay** (CPA) to recalculate the staff member's pay. The codes created will now be taxed according to their setting.
- This process must be performed for each staff member whose excess super contribution amount is greater than zero.
- Reconcile and finalise your pay and perform all necessary reporting.
- In preparation for the next pay, assign the *MCB Excess Code* (e.g. **SALX**) on the **Salary** (SMN) form for the required staff.

Scenario 4: Splitting redirected excess super across multiple funds

The system does not currently support automatically redirecting excess super across multiple funds within a single pay run.

There are two workarounds depending on the type of redirection that is performed for the excess super contribution.

First Workaround

The first workaround deals with the redirection of the excess super contribution to a non-RESC fund. In this scenario, the **Calculate Pay** (CAL) form will be run twice, firstly to calculate the excess super contribution and secondly to re-direct the excess super contribution to a non-RESC fund. The steps are:

- Create a capping group on the **Superannuation Capping Group** (PCP) form with *Super Capping* set to 32500, *Interval* set to Annual, *Method* set to **Accumulation** and *Contributions* set to **Company**.
- For all applicable staff, set the *Capping Group* on the **Pension/Provident/Super** (PTS) form to the capping group created in the previous step.
- Do not select *STP Maximum Contribution Base Capping* on the **Parameters** (CFP) form.
- Set the *MCB Excess Code* on the **Pension/Provident/Super** (SUP) form to the appropriate code (e.g. **RESX**) for the staff member.
- Run **Calculate Pay** (CAL). Take note of the excess super contribution amount redirected to the code (e.g. **RESX**).
- Create a **Next Pay Adjustment** (NPA) for the staff member, code (e.g. **NREX**) with the assigned excess super contribution amount.

  Note: the code must be configured as non-RESC.
- Clear the *MCB Excess Code* (e.g. **RESX**) on the **Pension/Provident/Super** (SUP) form for the staff member.
- Run **Calculate Pay** (CAL) or **Current Pay** (CPA) to recalculate the staff member's pay.
- This process must be performed for each staff member whose excess super contribution amount is greater than zero.
- Reconcile and finalise your pay and perform all necessary reporting.
- In preparation for the next pay, assign the *MCB Excess Code* (e.g. **RESX**) on the **Pension/Provident/Super** (SUP) form for the required staff.

Second Workaround

This scenario deals with redirection of the excess super contribution to multiple super funds. In this scenario, the **Calculate Pay** (CAL) form will be run twice, firstly to calculate the excess super contribution and secondly to re-direct the excess super contribution to a multiple funds. The steps are: The steps are:

- Create a capping group on the **Superannuation Capping Group** (PCP) form with *Super Capping* set to 32500, *Interval* set to Annual, *Method* set to **Accumulation** and *Contributions* set to **Company**.
- For all applicable staff, set the *Capping Group* on the **Pension/Provident/Super** (PTS) form to the capping group created in the previous step.
- Do not select *STP Maximum Contribution Base Capping* on the **Parameters** (CFP) form.

- Set the *MCB Excess Code* on the **Pension/Provident/Super** (SUP) form to the appropriate code (e.g. **RESX**) for the staff member.
- Run **Calculate Pay** (CAL). Take note of the excess super contribution amount redirected to the code (e.g. **RESX**).
- You will be required to manually apportion the excess super contribution amount to the various super funds and create associated **Next Pay Adjustment** (NPA) entries.
- Clear the *MCB Excess Code* (e.g. **RESX**) on the **Pension/Provident/Super** (SUP) form for the staff member.
- Run **Calculate Pay** (CAL) or **Current Pay** (CPA) to recalculate the staff member's pay.
- This process must be performed for each staff member whose excess super contribution amount is greater than zero.
- Reconcile and finalise your pay and perform all necessary reporting.
- In preparation for the next pay, assign the *MCB Excess Code* (e.g. **RESX**) on the **Pension/Provident/Super** (SUP) form for the required staff.

What to do next

For assistance, please contact your Account Manager or our Customer Support Centre at 1300 555 884 or supportcentreau@frontiersoftware.com.

Looking Ahead

As Payday Super requirements continue to evolve, we will keep you informed of any additional updates, including where the Australian Taxation Office (ATO) provides further clarification.

We appreciate your understanding and partnership as we work through these scenarios, and we remain committed to supporting you throughout the transition to Payday Super.