

QUEENSLAND HEALTH PAYROLL IMPLICATIONS

For the members
of the
Queensland Nurses' Union

The errors associated with the new payroll system implemented by Queensland Health may cause you unexpected taxation issues. Below is an overview of potential implications.

Issue	Outcome
Overpayment of wages (including allowances)	<p>Queensland Health is entitled to seek repayment but, must negotiate the method of repayment (e.g. the rate of fortnightly instalments)</p> <p>If your PAYG Payment Summary has been completed incorrectly you may contact Queensland Health to acknowledge the overpayment and to request an amended PAYG Payment Summary. The amended PAYG Payment Summary will exclude the overpayment from your gross income. You will be required to repay any overpayments still owing to Queensland Health.</p> <p>The overpayment is treated by the Australian Taxation Office (ATO) as a loan for Fringe Benefits Tax (FBT) purposes. Depending on the total value of your fringe benefits, the loan fringe benefit may be included as a reportable fringe benefit on your PAYG Payment Summary. Reportable fringe benefits do not form part of your assessable income, however, they are included in a number of income tests. Please refer to the Adjusted Taxable Income section.</p> <p>FBT is a tax on the employer, however, under the arrangements for salary sacrificing employees agree to accept any liability for any FBT that arise on benefits provided to them.</p> <p>Due to the extraordinary circumstances it is the responsibility for Queensland Health to ensure you do not incur additional costs associated with the payroll system error. The Director General has given an undertaking that no employee will be financially disadvantaged as a result of a payroll system error.</p>
Underpayment of wages	<p>Wages are assessable in the year it is received and not in the year earned.</p> <p>As some of the payroll errors have not been rectified by 30 June 2011, your income tax threshold may be affected. For example:</p> <ul style="list-style-type: none"> - Wages not paid in the 2010 financial year may lower your income tax rate. - Wages paid in the 2011 and 2012 financial years may increase your income tax rate.

The above information summarises the taxation outcomes that may occur as a result of the Queensland Health payroll system errors. This document does not take into consideration individual circumstances. Please contact your tax advisor for specific information that relates to your circumstances.

For your reference, individual Australian resident tax rates for the financial years ending 30 June 2010, 30 June 2011 and 30 June 2012 are stated at the end of this document.

Adjusted Taxable Income (ATI)	<p>Eligibility for certain tax offsets, family benefits and Centrelink payments are determined using your ATI.</p> <p>ATI includes such items as taxable income, reportable fringe benefits, reportable superannuation contributions (e.g. salary sacrifice super) and child support paid.</p> <p>The following items are determined using ATI which may be affected by the payroll errors, including:</p> <ul style="list-style-type: none"> - Medicare Levy Surcharge Threshold - Dependency tax offsets - Mature age worker offset - Spouse superannuation contributions tax offset - HELP/HECS repayments - Family tax benefit part A - Family tax benefit part B - Child care benefits - Youth Allowance <p>(N.B. list not exhaustive)</p>
Taxable income	<p>The following items are determined using taxable income which may be affected by the payroll errors, including:</p> <ul style="list-style-type: none"> - Medicare levy - Low income tax offset - Flood Levy (2012 year only)
Additional Pay As You Go (PAYG) Withholding tax withheld	<p>You are entitled to request a refund from your employer for amounts withheld in error (even if the amounts have been paid to the ATO). The refund must occur before 21 July.</p> <p>However, under these circumstances we believe it would be easier for you to lodge your income tax return using the details from your PAYG Payment Summary (i.e. Group Certificate) and receive a refund for the excess of tax paid.</p>
Insufficient PAYG Withholding tax	<p>PAYG Withholding tax assists taxpayers to meet their obligations such as income tax, Medicare levy, Higher Education Contribution Scheme, Higher Education</p>

The above information summarises the taxation outcomes that may occur as a result of the Queensland Health payroll system errors. This document does not take into consideration individual circumstances. Please contact your tax advisor for specific information that relates to your circumstances.

withheld

Loan Program (HELP) and Student Financial Supplement Scheme (SFSS).

The lodgement of your income tax return is the 'correction' point for tax under remitted and a balance of tax payable may arise. If you have a balance of tax payable an option available is to contact the ATO to arrange a repayment plan. Please note tax deductible interest charges may accrue on the liability.

Superannuation concessional contributions
(e.g. employer contributions such as SGC and salary sacrifice superannuation)

Concessional contributions are subject to an annual cap of \$25,000 or \$50,000 for persons aged 50 or older. Amounts exceeding the cap are subject to additional tax which are payable by you (e.g. 31.5% tax in addition to the 15% tax paid by your super fund). The cap only includes super that has been paid by year end.

It is the employee's responsibility to ensure they do not exceed their contributions cap.

Superannuation Guarantee Contributions (SGC) and salary sacrifice superannuation owing at 30 June 2010 or 30 June 2011 but paid in a later financial year may breach your concessional cap thereby causing an additional 31.5% tax payable.

Queensland Health has offered to assist employees who receive excess contributions tax by helping them with their application to the ATO to exercise discretion regarding this matter.

Child Support

Child Support is calculated using both parents ATI. Your Child Support assessment will be checked and/or recalculated once you have lodged your income tax return and may last for up to 15 months.

As the payroll errors have not been rectified by 30 June 2011, your Child Support assessment will be based on an inaccurate position of your ATI. We suggest contacting the Child Support Agency should this occur.

Further information:

Individual Australian Resident Tax Rates (rates exclude 1.5% Medicare Levy)

Financial year ending 30 June 2010		Financial year ending 30 June 2011		Proposed for the financial year ending 30 June 2012	
Taxable Income Threshold	Tax Payable	Taxable Income Threshold	Tax Payable	Taxable Income Threshold	Tax Payable
\$1 - \$6,000	Nil	\$1 - \$6,000	Nil	\$1 - \$6,000	Nil
\$6,001 - \$35,000	15c for every \$1 over \$6,000	\$6,001 - \$37,000	15c for every \$1 over \$6,000	\$6,001 - \$37,000	15c for every \$1 over \$6,000
\$35,001 - \$80,000	\$4,350 plus 30c for every \$1 over \$35,000	\$37,001 - \$80,000	\$4,650 plus 30c for every \$1 over \$37,000	\$37,001 - \$80,000	\$4,650 plus 30c for every \$1 over \$37,000
\$80,001 - \$180,000	\$17,850 plus 38c for every \$1 over \$80,000	\$80,001 - \$180,000	\$17,550 plus 37c for every \$1 over \$80,000	\$80,001 - \$180,000	\$17,550 plus 37c for every \$1 over \$80,000
\$180,001 and over	\$55,850 plus 45c for every \$1 over \$180,000	\$180,001 and over	\$54,550 plus 45c for every \$1 over \$180,000	\$180,001 and over	\$54,550 plus 45c for every \$1 over \$180,000

The above information summarises the taxation outcomes that may occur as a result of the Queensland Health payroll system errors. This document does not take into consideration individual circumstances. Please contact your tax advisor for specific information that relates to your circumstances.