



# Super Salary Sacrifice Payroll Items in QuickBooks 2009-10

<b>INTRODUCTION .....</b>	<b>3</b>
<b>EMPLOYEE DETAILS USED IN EXAMPLES .....</b>	<b>3</b>
<b>BUSINESS SALARY SACRIFICE OPTIONS.....</b>	<b>4</b>
<b>BUSINESS EXAMPLE A.....</b>	<b>5</b>
PAYROLL ITEM WIZARD WINDOWS.....	5
EMPLOYEE RECORD: PAYROLL INFO TAB.....	6
EMPLOYEE RECORD: SUPER DETAILS WINDOW.....	6
OVERALL CALCULATION EXAMPLE.....	6
<b>BUSINESS EXAMPLE B.....</b>	<b>7</b>
PAYROLL ITEM WIZARD WINDOWS.....	7
EMPLOYEE RECORD: PAYROLL INFO TAB.....	8
EMPLOYEE RECORD: SUPER DETAILS WINDOW.....	8
OVERALL CALCULATION EXAMPLE.....	8
<b>BUSINESS EXAMPLE C.....</b>	<b>9</b>
PAYROLL ITEM WIZARD WINDOWS.....	9
EMPLOYEE RECORD: PAYROLL INFO TAB.....	10
EMPLOYEE RECORD: SUPER DETAILS WINDOW.....	10
OVERALL CALCULATION EXAMPLE.....	10

The information provided is compiled from publicly available information and is intended only as a general summary. You should satisfy yourself as to the current requirements of Australian tax laws and regulations and other laws and consider your own financial, business and tax objectives and obligations, financial situation, accounting and other particular needs before acting upon any information provided in this information sheet.

You should consider getting professional advice.

Reckon Limited does not provide taxation, financial, legal, accounting or investment advice and cannot be held responsible in any way for your conduct (including but not limited to any reliance) relating to this information sheet.

*Copyright © 2009, 2010 Reckon Ltd.*

## INTRODUCTION

For editions of QuickBooks prior to 2009/10, a workaround was provided for setting up salary sacrifice payroll items in a document called **Setting Salary Sacrifice in QuickBooks**. The workaround was required so that correct figures were obtained on the W1 figure of the BAS.

This issue was resolved in QuickBooks 2009/10, which means that the workaround is no longer required.

Super Salary Sacrifice Payroll items must be reviewed in QuickBooks 2009/10 to make sure that they are still appropriate and especially in view of the new Reportable Employer Super Contributions (RESC) legislation which is effective from 1<sup>st</sup> of July, 2009. For more information on RESC, please refer to the document titled **QuickBooks 2009/10 RESC**, published on the Quicken website.

Depending on the arrangements between the employee and their employer, there could be a need for many salary sacrifice payroll items to be setup in QuickBooks. They could also be set up in different ways depending on their nature. For example a salary sacrifice arrangement for a laptop can be set up as a deduction in QuickBooks.

For *Super Salary Sacrifice* amounts, which effectively reduce the employees Gross Income, it is important that they are set up correctly as a payroll item of type Salary Sacrifice (SS) so that they are correctly reported on the INB Payment Summary.

## EMPLOYEE DETAILS USED IN EXAMPLES

The business scenarios explained in this document make use the following amounts:

Annual salary before salary sacrifice applied	\$90,000
Annual legislative employer contribution (SA)	\$8,100
Total annual remuneration	\$98,100
Annual salary sacrifice amount	\$13,800
Annual salary less salary sacrifice amount	\$76,200
Monthly salary before salary sacrifice applied	\$7,500
Monthly legislative employer contribution (SA)	\$675
Total monthly remuneration	\$8,170
Monthly salary sacrifice amount	\$1,150
Monthly salary less salary sacrifice	\$6,350
Pay frequency	Monthly

## BUSINESS SALARY SACRIFICE OPTIONS

Salary sacrifice arrangements can be setup in QuickBooks to take into account the business policies and procedures. These are:

- Show the annual salary before the salary sacrifice was applied. In other words, the higher rate (\$90,000).
- Show the annual salary less the amount of salary sacrifice. In other words, the lower rate (\$76,200).
- Calculate the legislative employer super (SA) before the salary sacrifice was applied. In other words, the higher rate (\$90,000).
- Calculate the legislative employer super (SA) at the salary less the salary sacrifice amount. In other words, the lower rate (\$76,200).

There are three practical combinations. These are:

A	Show the salary rate before the salary sacrifice was applied.	higher rate (\$90,000)
	Calculate SA super at rate before the salary sacrifice was applied.	higher rate (\$90,000)

B	Show the salary rate before the salary sacrifice was applied.	higher rate (\$90,000)
	Calculate the SA super at the rate less the salary sacrifice amount	lower rate (\$76,200)

C	Show the annual salary less the amount of salary sacrifice	lower rate (\$76,200)
	Calculate the SA super at the rate less the salary sacrifice amount	lower rate (\$76,200)

## BUSINESS EXAMPLE A

This business policy is to:

Show the salary rate before the salary sacrifice was applied.	higher rate (\$90,000)
Calculate SA super at the salary as per position profile	higher rate (\$90,000)

### Payroll Item Wizard Windows

Name used in payments and payroll reports	Recommended Action
Enter the name for super contribution: <input type="text"/>	Enter a meaning name for the business. Typically this would be <i>Salary Sacrifice</i>
Super Contribution	Recommended Action
<input type="text" value="Salary Sacrifice (SS)"/>	Select <i>Salary Sacrifice (SS)</i> .
Agency for employee-paid liability	Recommended Action
Enter the name of agency to which liability is paid: <input type="text"/>	Select the name of the super fund
Tax Tracking Type	Recommended Action
<input type="text" value="Gross Payments"/>	Select <i>Gross Payments</i> . This will reduce the Gross Payments figure by the amount of the salary sacrifice.
Taxes	Recommended Action
<input checked="" type="checkbox"/> Payroll Item <input checked="" type="checkbox"/> PAYG Tax	Select the <i>PAYG Tax</i> option. The will allow QuickBooks to calculate the PAYG Tax at the lower rate.
Based on Quantity	Recommended Action
<input type="checkbox"/> Based on Quantity	This checkbox would normally be left unticked as salary sacrifice amounts would rarely be based on quantity.
Default rate and limit	Recommended Action
Enter a percent symbol (%) after the number if this is a percentage. <input type="text"/>	This would be left blank is the amount of salary sacrifice is different for each employee.
Include payments in contributions	Recommended Action
Select the items that will increase wages for this contribution. <input checked="" type="checkbox"/> Payroll Item	This window is not relevant In cases where the salary sacrifice is based on an amount.

## Employee Record: Payroll Info tab

Salary Sacrifice Employee Contribution	Recommended Action				
<p>Earnings</p> <table border="1"> <thead> <tr> <th>Item Name</th><th>Hourly/Annual Rate</th></tr> </thead> <tbody> <tr> <td>Salary</td><td>90,000.00</td></tr> </tbody> </table>	Item Name	Hourly/Annual Rate	Salary	90,000.00	Enter the salary as \$90,000. This is because the rate for this position, prior to the salary sacrifice agreement is \$90,000.
Item Name	Hourly/Annual Rate				
Salary	90,000.00				

## Employee Record: Super Details window

Salary Sacrifice Employee Contribution	Recommended Action				
<p>Salary Sacrifice Employee Contribution</p> <table> <tr> <td>Rate</td><td>1,150.00</td></tr> <tr> <td>Limit</td><td></td></tr> </table>	Rate	1,150.00	Limit		Enter the salary sacrifice amount for the pay period relating to the employee. In this example is it \$13,800 divided by 12.
Rate	1,150.00				
Limit					
Employee Settings	Recommended Action				
<p>Employee Settings</p> <p><input type="checkbox"/> Salary Sacrifice items: Reduce Employer Contributions (SA_CA)</p>	<p>Do not select the Salary Sacrifice items checkbox. This is because it is the company policy to calculate the employer legislative super at the salary before the salary sacrifice is deducted.</p> <p>That is:</p> <ul style="list-style-type: none"> <li>Monthly salary: \$7,500</li> <li>SA calculated at \$7,500</li> <li>9% of \$7,500= \$675</li> </ul>				

## Overall Calculation Example

Component	Amount	Comment
Monthly Salary	\$7,500	This is the annual salary divided by 12.
Monthly Salary Sacrifice amount (SS)	\$1,150	This is the amount of salary sacrifice.
Legislative Employer Super (SA)	\$675	This super SA calculation is based on the original salary.
Salary Subject to PAYG Tax	\$6,350	This is the monthly salary less the amount of salary sacrifice.



## BUSINESS EXAMPLE B

This business policy is to:

Show the salary rate before the salary sacrifice was applied.	higher rate (\$90,000)
Calculate the SA super at the salary less the salary sacrifice amount	lower rate (\$76,200)

### Payroll Item Wizard Windows

<b>Name used in payments and payroll reports</b>	<b>Recommended Action</b>
Enter the name for super contribution: <input type="text"/>	Enter a meaning name for the business. Typically this would be <i>Salary Sacrifice</i> .
<b>Super Contribution</b>	<b>Recommended Action</b>
<input type="text" value="Salary Sacrifice (SS)"/>	Select <i>Salary Sacrifice (SS)</i> .
<b>Agency for employee-paid liability</b>	<b>Recommended Action</b>
Enter the name of agency to which liability is paid: <input type="text"/>	Select the name of the super fund.
<b>Tax Tracking Type</b>	<b>Recommended Action</b>
<input type="text" value="Gross Payments"/>	Select <i>Gross Payments</i> . This will reduce the Gross Payments figure by the amount of the salary sacrifice.
<b>Taxes</b>	<b>Recommended Action</b>
<input checked="" type="checkbox"/> Payroll Item <input checked="" type="checkbox"/> PAYG Tax	Select the PAYG Tax option. The will allow QuickBooks to calculate the PAYG Tax at the lower rate.
<b>Based on Quantity</b>	<b>Recommended Action</b>
<input type="checkbox"/> Based on Quantity	This checkbox would normally be left unticked as salary sacrifice amounts would rarely be based on quantity.
<b>Default rate and limit</b>	<b>Recommended Action</b>
Enter a percent symbol (%) after the number if this is a percentage. <input type="text"/>	This would be left blank is the amount of salary sacrifice is different for each employee.
<b>Include payments in contributions</b>	<b>Recommended Action</b>
Select the items that will increase wages for this contribution. <input checked="" type="checkbox"/> Payroll Item	This window is not relevant In cases where the salary sacrifice is based on an amount.

## Employee Record: Payroll Info tab

Salary Sacrifice Employee Contribution	Recommended Action:				
<div> <div>Earnings</div> <table> <tr> <th>Item Name</th><th>Hourly/Annual Rate</th></tr> <tr> <td>Salary</td><td>90,000.00</td></tr> </table> </div>	Item Name	Hourly/Annual Rate	Salary	90,000.00	Enter the salary as \$90,000. This is because the rate for this position, prior to the salary sacrifice agreement is \$90,000.
Item Name	Hourly/Annual Rate				
Salary	90,000.00				

## Employee Record: Super Details window

Salary Sacrifice Employee Contribution	Recommended Action:				
<div> <div>Salary Sacrifice Employee Contribution</div> <table> <tr> <td>Rate</td><td>1,150.00</td></tr> <tr> <td>Limit</td><td></td></tr> </table> </div>	Rate	1,150.00	Limit		Enter the salary sacrifice amount for the pay period relating to the employee. In this example is it \$13,800 divided by 12.
Rate	1,150.00				
Limit					
Employee Settings	Recommended Action:				
<div> <div>Employee Settings</div> <div> <input checked="" type="checkbox"/> Salary Sacrifice items: Reduce Employer Contributions (SA_CA) </div> </div>	<p>Select Salary Sacrifice items checkbox. This is because it is the company policy to calculate the employer legislative super at the salary less the salary sacrifice amount. That is:</p> <ul style="list-style-type: none"> <li>Monthly salary: \$7,500</li> <li>Monthly Salary Sacrifice: \$1,150</li> <li>SA calculated at \$6,350</li> <li>9% of \$6,350 = \$571.50</li> </ul>				

## Overall Calculation Example

Component	Amount	Comment
Monthly Salary	\$7,500	This is the annual salary divided by 12.
Monthly Salary Sacrifice amount (SS)	\$1,150	This is the amount of salary sacrifice.
Legislative Employer Super (SA)	\$572	This super SA calculation is based on the original salary less the salary sacrifice amount.
Salary Subject to PAYG Tax	\$6,350	This is the monthly salary less the amount of salary sacrifice.





## BUSINESS EXAMPLE C

This business policy is to:

Show the annual salary less the amount of salary sacrifice	lower rate (\$76,200)
Calculate the SA super at the salary less the salary sacrifice amount	lower rate (\$76,200)

### Payroll Item Wizard Windows

Name used in payments and payroll reports	Recommended Action
Enter the name for super contribution: <input type="text"/>	Enter a meaning name for the business. Typically this would be <i>Salary Sacrifice</i>
Super Contribution	Recommended Action
<input type="text" value="Salary Sacrifice (SS)"/>	Select <i>Salary Sacrifice (SS)</i> .
Agency for employee-paid liability	Recommended Action
Enter the name of agency to which liability is paid: <input type="text"/>	Select the name of the super fund
Tax Tracking Type	Recommended Action
<input type="text" value="None"/>	Select <i>None</i> . This is because the salary rate has already been reduced.
Taxes	Recommended Action
<input checked="" type="checkbox"/> Payroll Item <input type="checkbox"/> PAYG Tax	Do not select the PAYG Tax option. Because the gross salary has already been reduced QuickBooks will calculate the PAYG Tax at the lower rate.
Based on Quantity	Recommended Action
<input type="checkbox"/> Based on Quantity	This checkbox would normally be left unticked as salary sacrifice amounts would rarely be based on quantity.
Default rate and limit	Recommended Action
Enter a percent symbol (%) after the number if this is a percentage. <input type="text"/>	This would be left blank is the amount of salary sacrifice is different for each employee.
Include payments in contributions	Recommended Action
Select the items that will increase wages for this contribution. <input checked="" type="checkbox"/> Payroll Item	This window is not relevant In cases where the salary sacrifice is based on an amount.

## Employee Record: Payroll Info tab

Salary Sacrifice Employee Contribution	Recommended Action:				
<div> <div>Earnings</div> <table> <tr> <th>Item Name</th><th>Hourly/Annual Rate</th></tr> <tr> <td>Salary</td><td>76,200.00</td></tr> </table> </div>	Item Name	Hourly/Annual Rate	Salary	76,200.00	<p>Enter the salary as \$76,200. This is because the rate for this position, after the salary sacrifice deduction is taken into account, is \$76,200.</p> <p>That is:</p> <ul style="list-style-type: none"> <li>Rate before salary sacrifice = \$90,000</li> <li>Salary sacrifice amount = \$13,800</li> <li>Rate after salary sacrifice = \$76,200</li> </ul>
Item Name	Hourly/Annual Rate				
Salary	76,200.00				

## Employee Record: Super Details window

Salary Sacrifice Employee Contribution	Recommended Action:
<div> <div>Salary Sacrifice Employee Contribution</div> <div> <div>Rate</div> <div>1,150.00</div> </div> <div> <div>Limit</div> <div></div> </div> </div>	<p>Enter the salary sacrifice amount for the pay period relating to the employee. In this example is it \$13,800 divided by 12.</p>
Employee Settings	Recommended Action:
<div> <div>Employee Settings</div> <div> <input type="checkbox"/> Salary Sacrifice items: Reduce Employer Contributions (SA_CA) </div> </div>	<p>Do not select Salary Sacrifice items. This is because the salary rate, used to calculate the employer legislative super, has already been reduced.</p>

## Overall Calculation Example

Component	Amount	Comment
Monthly Salary	\$6,350	This is the monthly salary less the salary sacrifice amount.
Monthly Salary Sacrifice amount (SS)	\$1,150	This is the monthly salary sacrifice amount.
Legislative Employer Super (SA)	\$572	This is 9% of \$6,350.
Salary Subject to PAYG Tax	\$6,350	Note that in this example, the gross pay had already been reduced to allow for the salary sacrifice amount.