

EXPLANATORY STATEMENT

ISSUED BY THE AUTHORITY OF THE MINISTER FOR FINANCE AND ADMINISTRATION

SUPERANNUATION (PRODUCTIVITY BENEFIT) ACT 1988

DECLARATION UNDER SECTION 3D

SUPERANNUATION (PRODUCTIVITY BENEFIT) (2007-2008 CONTINUING CONTRIBUTIONS) DECLARATION 2007

VARIATION OF TABLE

The *Superannuation (Productivity Benefit) Act 1988* (the PB Act) provides the mechanism by which the Superannuation Guarantee (SG) minimum employer superannuation contribution is made for Australian Government employees and certain other persons (employees) who have no other employer-sponsored superannuation cover. Prior to 1 July 1992, the PB Act provided productivity superannuation to these employees.

The PB Act was amended by the *Superannuation (Consequential Amendments) Act 2005* to close the superannuation arrangements under the PB Act to new employees from 1 July 2006. However, the PB Act will continue to apply to employees covered by the Act as at 30 June 2006 until they no longer meet the qualifications for PB Act coverage (i.e. because they cease relevant employment or, if eligible, become members of an Australian Government superannuation scheme). The annual revision of instruments setting amounts payable by employers on behalf of employees will therefore need to continue until those employees no longer meet the qualifications for PB Act coverage.

Since 1 July 1990, the designated employers of employees covered by the PB Act arrangements have been required to pay periodic contributions in respect of those employees to a superannuation fund nominated or approved by the Minister for Finance and Administration. More recently, where the employee is eligible, employers have been able to pay contributions to another regulated superannuation fund as defined by the *Superannuation Industry (Supervision) Act 1993*.

The amount to be contributed by an employer is determined from the table in the Schedule to the PB Act. The table is structured so that a proportionately greater benefit is provided to lower paid wage earners. The amount to be contributed is adjusted where the employee is not employed full-time.

This Declaration, made under section 3D of the PB Act and cited as the **Superannuation (Productivity Benefit) (2007-2008 Continuing Contributions) Declaration 2007** substitutes a new table in the Schedule to the PB Act in relation to the financial year commencing on 1 July 2007.

The major effect of the substituted table is to increase the salary threshold from \$2,710.77 to \$2,805.38 per week above which the superannuation contribution payable is a flat dollar amount, equal to 9 per cent of the threshold amount. The substituted table will mean that employees on salaries in excess of \$2,805.38 per week (\$145,880 per annum) will receive a flat contribution equivalent to 9 per cent of that threshold amount or \$252.48 per week.

The substituted table also sets superannuation contributions for employees on salaries between \$150.33 per week and \$2,805.38 per week at 9 per cent of the employee's salary.

The substituted table continues to provide for a flat rate superannuation contribution of \$13.53 per week for lower paid wage earners whose weekly rate of salary is less than \$150.33, and for whom 9 per cent of weekly salary would be equal to or less than this amount.

The substituted table continues the historical arrangements whereby contribution rates under the PB Act have been skewed so that low-income earners receive more than the SG percentage rate of 9 per cent and higher income earners receive less in line with the threshold limit of the SG.

The Declaration is a legislative instrument for the purposes of the *Legislative Instruments Act 2003* (LI Act).

No consultation was undertaken in relation to this Declaration. In accordance with paragraph 18(2)(a) of the LI Act, consultation was considered to be unnecessary because the instrument is of a minor or machinery nature.

The Declaration commences on the day after it is registered on the Federal Register of Legislative Instruments.