

AUSTRALIA - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	Retirement age is 65 for men and is increasing to 65 for women from 2014. It is then due to increase to age 67 in stages between 2017 and 2023. The state pension is means tested. The full state retirement pension from January 2011 is AUD 701.10 a fortnight for a single person and AUD 528.50 a fortnight each for a couple. This is reduced by income and assets, based on family status and home ownership. Death and disability benefits are provided on a means tested basis. Medicare, the national health scheme, provides permanent residents with free medical treatment or a rebate of scheduled fees.
Typical New Pension Plan	Retirement benefits are provided by mandatory defined contributions by employers to superannuation funds that provide a lump sum at retirement. Employees can select the fund where the contributions are to be invested and may also use individual Retirement Savings Accounts (RSAs). There are government proposals to introduce a low-cost default fund, MySuper. At retirement, income can be secured through an annuity or income withdrawal. The superannuation fund must also provide a minimum lump sum death or disablement benefit but additional lump sum death and disablement benefits are often provided. Private medical insurance is not common but is sometimes provided to secure a higher standard of hospital accommodation and additional services.
Typical Costs	State benefits are financed from general taxation. Employees pay a Medicare levy of 1.5% of earnings, with a 1% surcharge for high earners who do not have private medical cover. Employers are required to contribute 9% of each employee's earnings to a superannuation fund, up to a maximum of AUD 42,220 of earnings a quarter (2010-11), and may make additional contributions. If employees make a contribution, the government makes a matching contribution of up to AUD 1,500 a year for lower income employees (reduced to AUD 1,000 for a three year period from July 2009). Medical insurance if provided is usually financed by employee contributions.
Tax Implications	Employer contributions are tax deductible but subject to 15% tax payable by the superannuation fund. Employee contributions are tax deductible up to AUD 50,000 or AUD 100,000 for employees over age 50 up to 2012. These limits were reduced to AUD 25,000 and AUD 50,000 respectively for a four year period from July 2009. Lump sum benefits up to AUD 1 million from taxed superannuation funds are tax free over age 60. Employer contributions for medical insurance are taxed as a fringe benefit; employee contributions are entitled to a tax rebate of 30%.
Labour Law Issues	Minimum employer contributions are immediately vested.
Pooling Potential	Insured benefits can be included in multinational pooling arrangements.
International Financial Reporting	Australia has adopted financial reporting standards that are equivalent to International Financial Reporting Standards.
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