



Human Capital Management  
& Payroll Software/Services

# Demystifying Annualised Salary Changes

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From March 1st, 2020, changes to annualised salary rules for employees covered by more than 20 Modern Awards will take effect. The Chances are high that the changes will affect your organisation. Are you ready?

### What is an Annualised Salary?

An annualised salary is an alternative way of paying employees for hours worked each week. An annualised salary considers all the entitlements under an award and the expected hours worked per annum to generate an annual figure.

By estimating the annual value of each award component, the employer determines a total annual salary. Any allowance or component that is not included in the annualised salary must be paid in each pay process where it is owed.

By paying the salary regularly, entitlements are spread evenly over the year, allowing the employee to budget and use their income more effectively. An annualised salary arrangement must ensure that the employee is no worse off than they would be if paid according to a modern award.

### Awards impacted



### Your Obligations

Employers that continue to offer annualised salaries must meet the following obligations: Written advice to employees including;

- the annualised salary to be paid
- the method by which the annualised salary is calculated, including specification of each separate component of the annualised salary and any overtime or penalty assumptions used in the calculation
- the outer limit number of ordinary hours which would attract payment of penalty rates under the award in a pay period or roster cycle
- the outer limit number of overtime hours which the employee may be required to work in a pay period or roster cycle



### Keep records

For each pay cycle, the employer must record start and finish times and unpaid breaks for each employee being paid an annualised salary. The employee must sign or otherwise acknowledge that the record is correct.



## Reconcile

Each 12 months following the commencement of the annualised wage arrangement or upon termination of the employment, the employer must calculate remuneration payable under the award and compare it to the annualised wage paid to the employee. The employer must rectify any shortfall within 14 days.

Speak to Frontier Software about how ichris can power your Annualised Salary time capture and reporting obligations.

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