

Paid Parental Leave

Information for Employers



www.wlf.com.au
First Floor 160 Collins Street
Hobart TAS 7000
GPO Box 1083 Hobart TAS 7001
Telephone: (03) 6223 6155
Fax: (03) 6223 8993
E-mail: email@wlf.com.au

On 14 July 2010, legislation for the Paid Parental Leave (PPL) scheme received royal assent and subsequently has been implemented from the start of 1 January 2011. The introduction of this scheme is to encourage parents to take time off work after the birth of their child.

The Paid Parental Leave scheme is a new Australian Government funded entitlement for working parents who are the primary carers of children born or adopted from 1 January 2011. These parents are entitled to receive PPL at the National Minimum Wage rate, currently at \$570 per week, before tax for a maximum period of 18 weeks.

From 1 July 2011, employers will be obligated to provide PPL to its employees. However, the employer's role will be voluntary between 1 January 2011 and 30 June 2011. During this period, the scheme will be administered by the Family Assistance Office (FAO). This gives employers time until the end of the 2011 financial year to make any necessary changes to their payroll systems in order to accommodate the new scheme from the start of the 2012 financial year.

The role of employers will be to provide PPL to their long-term employees in the same way as they provide salary or wages. This means employees who have worked with the same employer for 12 months or more. The obligation to provide employees that have worked in the employer's business for less than 12 months with PPL is optional and these employees can apply to receive their PPL directly from the FAO.

PPL is a taxable payment to the recipients, however employees will not accrue any leave entitlements while on parental leave. Therefore, employers will be required to withhold tax on the PPL amount paid out to the employees. The payment of PPL to employees will not give rise to additional workers compensation premium liabilities nor will it be subject to payroll tax.

As the scheme is entirely funded by the Australian Government, PPL funds will be transferred into the employer's nominated business bank account before the employee's usual pay cycle cut off date. These funds can either be received fortnightly over 18 weeks or in three six-weekly instalments.

Employers will not be required to work out their employees' eligibility for the scheme. Instead, the employees are required to contact the Family Assistance Office to lodge a claim for PPL. However, employers should ensure that their businesses are prepared to provide PPL to any of their eligible employees. Employers should register for the scheme through the Centrelink Business Online Services and ensure that they meet the following obligations:

1. Provide the business bank account details, employee's usual pay cycle and pay cut off details to FAO to ensure PPL funds are received.
2. Provide PPL to the employee for their PPL period.
3. Provide PPL as part of the employee's usual pay cycle.

4. Withhold tax from PPL under the usual PAYG withholding arrangements. The amount of PPL will need to be included in the total amounts in the employee's annual payment summary.
5. Provide a record of the PPL to the employee (usually a payslip).
6. Keep written financial records of receipt of PPL funds from the FAO and of the PPL provided to the employee. These records may have already been generated through your usual payroll processes.
7. Notify the FAO:
 - if and when the employee returns to work before or during their Paid Parental Leave period
 - if and when the employee resigns from the business
 - if the employer change bank account details or the employee's pay cycle, **or**
 - if an incorrect amount of Paid Parental Leave funds had been received from the FAO or if the employer is unable to provide Parental Leave Pay to the employee.
8. Return any unpaid Paid Parental Leave funds to the FAO.
9. Notify the FAO in advance if the employer is:
 - a. ceasing to trade
 - b. selling the business, **or**
 - c. transferring ownership or merging with another business

Wise Lord and Ferguson have payroll support services available. If you require any assistance with the implementation of PPL, or any other payroll matter, please call your usual contact to arrange a no obligation consultation on 6223 6155 or email@wlf.com.au.