

HOW TO STAY ANNUALISED SALARY COMPLIANT IN 2026



This document is a comprehensive guide to help you plan for annualised salary agreements. Use the steps outlined as a template to ensure you are aligning with your obligations as an employer, maintaining the correct records, and easily managing any annualised salary agreements you have in place.

1 Confirm the employee is covered by an award or agreement that permits annualised wages

How to do this:

Identify the modern award or enterprise agreement that applies to the employee's role. Review the specific clause dealing with annualised wages or salaries. Confirm that:

- The award explicitly allows annualised wage arrangements
- The employee's classification level is eligible

If the award does not permit annualised wages, do not use this arrangement — even if the employee agrees.

2 Provide an explicit written annualised salary agreement

How to do this:

Prepare a written agreement or contract clause that clearly states the annualised salary arrangement. The agreement should be provided before or at the start of the arrangement and retained on file. Avoid vague language — clarity is essential for compliance and enforcement risk.

3 Specify how the annualised salary was calculated

How to do this:

Document the calculation used to arrive at the annualised salary. This should include:

- Base award rate
- Ordinary hours
- Anticipated overtime
- Penalty rates
- Allowances and leave loading (if included)

This calculation should be transparent and auditable upon request from regulators or the courts. Using an advanced payroll software like ADP Lyric can simplify this by enabling real-time calculations that keep them up to date and visible.

4 Define outer limits for hours, penalties and allowances

How to do this:

Set and document clear maximum limits on:

- Ordinary hours per week or roster cycle
- Overtime hours
- Penalty rate hours (e.g. weekends, public holidays)
- Included allowances

These limits must be realistic and reflect actual working patterns. Once an employee exceeds these limits, additional payments must be made.

5 Maintain accurate records of hours worked

How to do this:

Implement a reliable time-recording system that captures:

- Start and finish times
- Unpaid breaks
- Total hours worked each day

This applies even for salaried employees. Systems may integrate payroll and workforce tools (Lyric and EmpLive can be integrated), but they must be accurate and accessible.

6 Ensure employees acknowledge recorded hours

How to do this:

Require employees to review and confirm their recorded hours regularly (for example, weekly or biweekly, or at the end of each pay cycle). This acknowledgment helps demonstrate record accuracy and reduces disputes about hours worked.

7 Monitor hours against outer limits

How to do this:

Regularly review recorded hours to identify when employees are approaching or exceeding outer limits. This should be an active process, not a once-a-year review. Automated alerts within payroll or workforce management systems can significantly reduce risk.

8 Pay additional amounts when outer limits are exceeded

How to do this:

When an employee works beyond the defined outer limits, calculate and pay the additional hours at the applicable award rates in the relevant pay period. These payments should appear clearly on the payslip.

9 Check compliance for every pay period

How to do this:

Compare the employee's pay in each pay period with what they would have been entitled to under the award for the hours worked. Do not rely on annual "better off overall" assumptions — each pay period must stand on its own.

10 Conduct an annual reconciliation

How to do this:

At least once every 12 months, calculate:

- Total award entitlements for all hours worked
- Total annualised salary paid

If there is any shortfall, pay it promptly and document the reconciliation outcome.

11 Reconcile again on termination of employment

How to do this:

When employment ends, perform a final reconciliation covering the entire employment period (or since the last reconciliation). Pay any outstanding difference as part of the final pay to avoid post-employment claims.

12 Retain payroll and time records for at least seven years

How to do this:

Store all relevant records securely, including:

- Contracts and agreements
- Time records
- Pay slips
- Reconciliation calculations

Records must be easily retrievable in case of Fair Work audits, employee claims, or court proceedings.

Sound complicated? It doesn't have to be. With ADP's comprehensive solutions covering payroll, HCM and workforce management, we've got your back.

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