



nest

national
entitlement
security
trust

Information Guide





Contents

SECTION 1 - Welcome To NEST

From the Secretary	4
Important Information	5
Contacting NEST	5

SECTION 2 - About NEST

Overview	7
What are the benefits?	8
Benefits for employers	
Benefits for employees	
Benefits for the government and the community	
How NEST works	10
Joining NEST	
Making contributions	
Claiming	
How NEST is Managed	12
The Trustee	
The administrator and investment manager	
Investment	
Fees and Charges	14
How NEST communicates with you	15

SECTION 3 - Further Information For Employers

Information regarding contributions	17
Calculating Contributions	
Completing ongoing contributions statements	
Payment options	
Taxation	18
Contributions are tax deductible	
Member payments have concessional treatment	
Contributions are not assessable as trust income	
Contributions do not attract fringe benefits tax	
Contributions do not attract GST	
Other taxation matters	19
GST on administration fees	
Tax file numbers	
State taxes and levies	
Frequently asked questions	20
Assistance and advice	21
NEST website	21
Privacy policy	22
Glossary	23



Welcome to NEST





Welcome to NEST



NEST's Secretary David Oliver

David Oliver is the Secretary of NEST and is also the National Secretary of the Australian Manufacturing Workers Union (AMWU). Dave has over 20 years experience representing working families with the AMWU and was elected by AMWU members as their National Secretary in June 2007.

Dave has been the Secretary of NEST since inception.

From the Secretary

I have pleasure in introducing you to the National Entitlement Security Trust (NEST), a national industry fund offering benefits and protections of work-based entitlements for both employers and employees.

Employers participating in NEST enjoy the commercial benefits of immediate tax deductions on entitlements, predictable cash flows, reduced liability on their balance sheet and monthly investment income that can be used to fund future entitlement payments. These employers also win confidence and loyalty by providing complete security for their employees' entitlements.

The intention of this brochure is to provide you with the detail you need to make an informed decision to join NEST.

Thank you for your interest. Please do not hesitate to contact the friendly NEST team if you require any information or assistance.

Sincerely,

David Oliver
Secretary

Important information

NEST (The National Entitlement Security Trust) is a national industry trust that has been established to hold employment entitlements on trust for employees nominated by their employers. This Information Guide (Guide) provides detailed information about the features, costs and benefits associated with participating in NEST. If you're considering joining NEST, this Guide will help you make an informed decision whether NEST is suitable for you.

The information contained in this Guide is accurate at the date of issue. To ensure you are reading the most current version, please visit our website or contact us and we will send you a copy free of charge.

Please note that, in this document, "we", "us", "our" and "Trustee" refers to NEST Nominees Pty Ltd who is the Trustee of NEST.

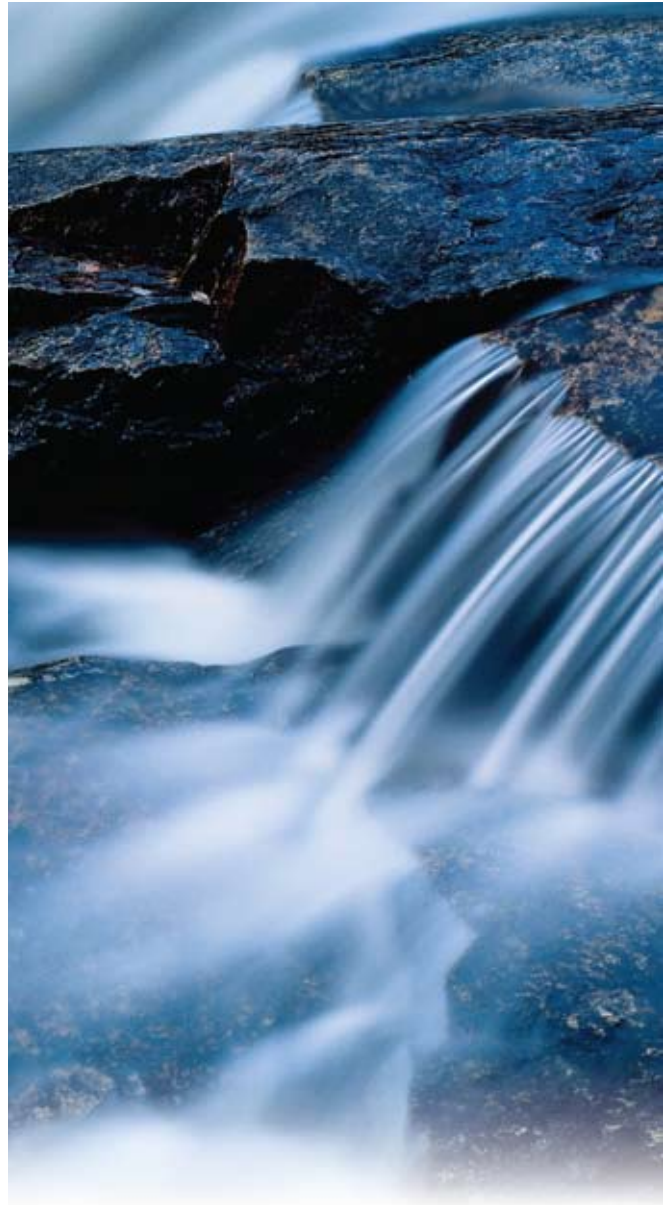
Contacting NEST

If you require assistance or advice regarding any aspect of NEST, then please contact us and ask to speak to one of NEST's authorised representatives. Our contact details are:

NEST Nominees Pty Ltd (Trustee)
ACN 091 968 124
Level 4, 62 Norwest Boulevard Baulkham Hills NSW 2153
PO Box 7899 Baulkham Hills BC NSW 2153

Toll free: 1300 302 555
Telephone: 02 8814 4700
Facsimile: 02 8814 7788

Email: admin@nest.net.au
Website: www.nest.net.au





About NEST



Overview

The National Entitlement Security Trust (NEST) is a national industry trust established to safeguard the entitlements of employees determined under any employment agreement or award. It is a not for profit trust open to employers in any industry.

Any type of non-superannuation entitlement covered by an employment agreement or award can be paid into NEST, the most common of which are annual leave, long service leave, sick leave, severance, redundancy and productivity payments. Government legislation prevents superannuation entitlements being paid into NEST.

Whilst other employee entitlement trusts exist, they are generally restricted to specific industries and specific entitlement categories such as long service leave or redundancy. NEST is the first trust that accepts contributions for all types of non-superannuation entitlements across all Australian industries.

The table below illustrates the broad scope and flexibility of NEST.

Employee Entitlements	Entitlements types managed by various industry Trusts			
	nest	LONG SERVICE LEAVE TRUSTS	REDUNDANCY TRUSTS	SUPERANNUATION TRUSTS
Long Service Leave	✓	✓	✗	✗
Redundancy	✓	✗	✓	✗
Annual Leave	✓	✗	✗	✗
Annual Leave loading	✓	✗	✗	✗
Sick leave	✓	✗	✗	✗
Maternity leave	✓	✗	✗	✗
Paternity leave	✓	✗	✗	✗
Training leave	✓	✗	✗	✗
Education Leave	✓	✗	✗	✗
Bonus payments	✓	✗	✗	✗
Productivity payments	✓	✗	✗	✗
Special leave	✓	✗	✗	✗
Superannuation	✗	✗	✗	✓



What are the benefits?

Employee entitlements represent a significant component of an employee’s remuneration. For employers they represent a liability that must be reliably funded and paid out at some time in the future. Whilst entitlements accrue on an employer’s balance sheet, employees are inadvertently exposed to, business risk. In this regard employees seek tangible assurances that their entitlements are secure and most employers want to give these assurances. NEST provides the solution, with a structure for funding and securing employee entitlements that is independent and unexposed to business risk. NEST does this whilst providing mutual benefits to employers, employees, Government and the community.

Benefits for employers

NEST provides the commercial benefits of immediate tax deductions on entitlements and monthly investment income. In addition, an Employer can be assured that contributions made to NEST are FBT exempt as NEST is prescribed in legislation as a Federal Government approved Worker Entitlement Fund in accordance with the “Fringe Benefits Tax Assessment Act 1986” paragraph 58PB.. By using NEST an employer can manage

and predict cash flows relating to employee entitlements and remove the need for carrying related liabilities on their balance sheet. No fees and charges are deducted from contributions or charged to employers or employees. Any costs associated with managing NEST are performance based (refer to the fees and charges section of this Guide for details). The table below demonstrates the commercial benefits of NEST; it provides a financial comparative analysis of a fictitious company’s Profit and Loss using NEST and without using NEST.

Financial Comparison		
PROFIT AND LOSS EXAMPLE ABC Corporation	USING nest	WITHOUT USING NEST
Gross Profit	\$30,000,000.00	\$30,000,000.00
Less Expenses:		
Administrative and General Expenses	\$3,000,000.00	\$3,000,000.00
Salaries & Wages	\$10,000,000.00	\$10,000,000.00
NEST Contribution Deductible	\$1,500,000.00	\$ -
Total Expenses	\$14,500,000.00	\$14,500,000.00
Net Profit Before Tax	\$15,500,000.00	\$15,500,000.00
Taxable Income	\$15,500,000.00	\$17,000,000.00
Tax to be Paid @ 30%	\$4,650,000.00	\$5,100,000.00
Net Operating Profit After Tax	\$10,850,000.00	\$10,400,000.00
Balance Sheet Effects	The liability provision for employee entitlements is reduced by the NEST balance therefore less liability.	The liability provision for employee entitlements is transferred to balance sheet.

The information presented above is produced as an example and is not intended as financial or taxation advice. You should consult your accountant before making any decisions based on this information.

For employers of choice

Employees agree to sell their labour in return for wages and a number of statutory or agreed entitlements. The total of these represent an employee's minimum remuneration which must be paid regardless of any adverse or unforeseen business circumstances. Employers participating in NEST communicate acceptance of this obligation.

By simply securing employee entitlements into NEST, employers promote an organisational culture of trust and loyalty. NEST employers stand out as having integrity, sincerity and responsibility - making them an employer of choice.

Transparency and privacy

NEST is committed to its privacy principals whilst providing employers with easy access to all the necessary information to manage their NEST account. Every employer who joins NEST is provided with a user name and unique password to enable access to their account via the NEST website. NEST provides internet access to employers enabling them to view and retrieve information about NEST and their NEST account.



Benefits for employees

Security

NEST gives employees absolute certainty that their entitlements are safe. Employees can rest assured that regardless of the day to day risks faced by business, their entitlements are protected; and that amounts to peace of mind.

Speed of payment

In the unfortunate event where a business becomes insolvent, employees will be paid their entitlements directly from NEST in a matter of days, (not months or years). This means that employees receive their entitlement when they most need them, helping to reduce financial pressure and the emotional stress on employees and their families.

Protection from receiver

Entitlements paid into NEST are expensed by employers and removed from their balance sheet. This means that in the event of insolvency a receiver has no right to these funds. The receiver will only be entitled to receive any excess funds that remain after all employee entitlements have been paid.

Transparency and Privacy

An employee receives their own NEST account with complete transparency and disclosure of their account activity. NEST provides every employee with online access to their account. With the speed and convenience of secured internet access to their NEST account, employee entitlements remain transparent whilst maintaining privacy.

Simple and convenient

NEST will not change the way employees claim their leave entitlements or the manner by which an employer manages their payroll. Employees can continue to claim entitlements directly from employers and NEST will reimburse employers for any leave paid to an employee that has been contributed into NEST. This means employees are not inconvenienced at the time of taking their leave.

Benefits for the government and the community

NEST is a simple model that provides benefits for all stakeholders involved.

In the event of insolvency, NEST ensures that employees receive their entitlement payments within days of the event. This speed of payment helps negate the need for affected employees to rely on welfare safety nets while looking for new employment. This will result in a lower level of social security claims and taxpayer funding of employee entitlement liabilities, hence reducing the burden on taxpayers and the general community.

In addition, NEST supports the Government's policy objective of improving and maintaining public confidence in the business sector resulting from responsible financial management and sound corporate governance practices.



How NEST works *how*

Joining NEST

Joining NEST is easy.

There are three simple steps for Employers to join NEST.

Step 1

Complete and sign the Employer Application Form and the Deed of Adherence and (if required) a Direct Debit Request Form. (Forms are available from our website or by contacting NEST)

Step 2

Provide NEST with details of your employees. You can do this by:

- (a) Completing a member application form for each employee; or
- (b) Providing data electronically, on disc or by email in ASCII or excel format This is usually the best method for companies with more than five employees.

Step 3

Return all forms to a NEST representative via post fax or by hand. Please ensure you complete all the sections in the form and provide all the information required.

Once the application is received and processed by NEST, the employer shall receive their first month's contribution statement which needs to be paid to complete the registration process. Employers and their employees will then receive written confirmation of their registration as NEST members as well as their personalised NEST ID number and internet access password.

If you prefer, a NEST representative is available to personally assist you with joining NEST on your premises.

Making contributions

Contributing employers make monthly payments into NEST that represent the entitlements of their employees. These entitlements are held on trust until they become payable. Contributions to NEST are tax deductible and the equivalent amount of contributions paid can be removed from the employer's balance sheet liability at the time of payment.

Once an employer has paid their first contribution, the administrator will provide them with a monthly contribution statement. Monthly contributions will be equal to the previous month's contributions plus any adjustments made for:

- Changes in employees – resulting from new employees, terminations or resignations;
- amendments to employees rates of pay or contract hours; and/or
- changes to entitlements

NEST has been specifically structured for flexibility and therefore each employer account can be customised to suit the specific employment agreement(s) relating to each organisation. A number of options exist for calculating contributions and making ongoing payments. More details of these options are outlined in Section 3 of this Guide.





Claiming

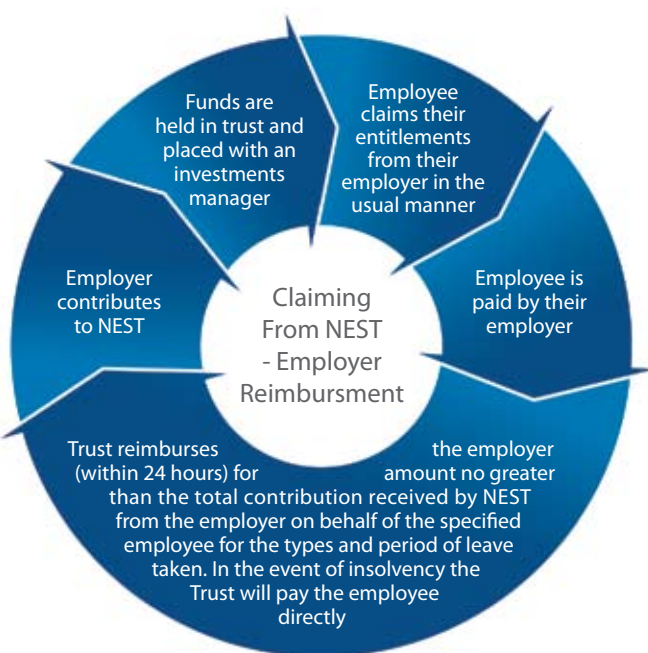
NEST offers flexibility in relation to claiming entitlements. Employers can choose from the following options:

Direct reimbursement to employer from fund

Employees continue to be paid their entitlements from employers when they fall due in the usual manner. Employers then claim reimbursement directly from the Trust not exceeding the value of contributions made on behalf of the employee for the type and period of leave taken. Employers must extinguish any existing equivalent entitlement liability from their balance sheet before claiming from NEST. Upon receipt of a completed claim form, reimbursement is made within one business day either by EFT or cheque. Alternatively the claimed amount can be transferred into an Employers credit and be used to pay future contributions.

To lodge an Entitlement Claim, simply download a NEST claim form from the NEST website and send the completed form to NEST.

Please note that In the case of employer insolvency, all entitlements held by NEST will be paid directly to the employee upon receiving notification of an administrator's appointment.



Direct payment to employee from fund

Claims for employee entitlements are lodged by employers and paid directly to the employee by NEST. Employers must extinguish any existing equivalent entitlement liability from their balance sheet before claiming from NEST.

Claims for entitlements cannot exceed the amount contributed on behalf of any specific employee for the type and period of leave taken. Claims for entitlements are subjected to PAYE tax and will be paid net of tax. NEST will provide employees with group certificates at the end of each financial year.

Lodging a claim for entitlements can be undertaken by completing an Entitlement Claim Form, which is available from the NEST website or by contacting NEST. Claims for entitlements will be electronically transferred into an employee's account within one business day of NEST receiving a completed claim form.

To make a claim on a NEST account, employees simply complete a NEST Entitlement Claim Form and lodge it with their employer. The employer then validates the claim and sends it to NEST for payment.



How NEST is Managed *managed*

The Trustee

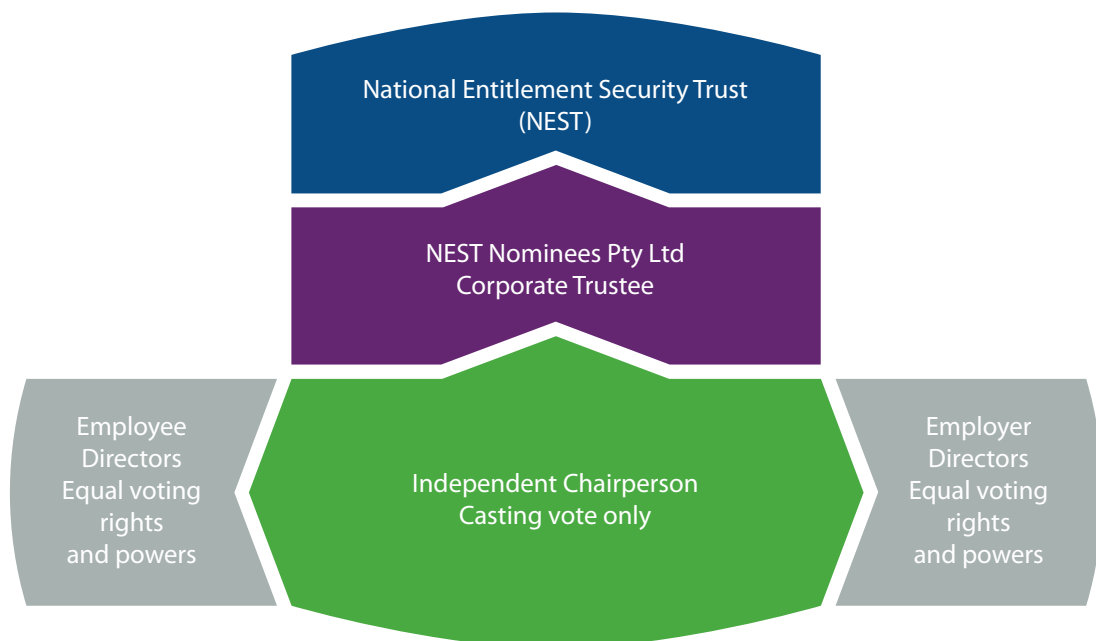
The Trustee for NEST is NEST Nominees Pty Ltd (the Trustee) and it has a legal obligation to manage and administer NEST in accordance with the Trust Deed and the relevant laws.

The Trust Deed is a legally binding document that has been designed to provide employers and employees with security, integrity, fairness and flexibility. The Trust Deed can be downloaded from our website.

The Trustee is a not-for-profit corporate trustee with both Employer and Employee Directors each having equal representation, power and voting rights. NEST has an independent Chairperson, who does not vote on resolutions of the Trustee but has a casting vote in the event of deadlock. Further details of the Trustee Directors and Chairperson are available on the NEST website.

Consistent with the Trust Deed, the Trustee's policy is to maintain the highest possible standards of corporate governance. Under the Trust Deed NEST Nominees is prevented from undertaking any activities other than acting as Trustee of NEST.

NEST Organisation Chart





The administrator and investment manager

NEST strives to provide its customers with the highest quality administrative service. To provide this service the Trustee has appointed Coverforce Pty Ltd (Coverforce) to undertake all NEST's administrative tasks. Coverforce has over 10 years experience as a specialist in the administration of industry funds. Coverforce provides NEST with quality administration certified under the stringent ISO 9002 international quality standard and delivers a comprehensive suite of administration and member services.

Coverforce has provided impressive technological capability in administering NEST. This technology has been tailored to service the needs of employers and members of NEST and has been designed for simplicity, transparency, flexibility and security.



Investment

NEST funds are pooled and securely invested in accordance with the trustees guidelines. These guidelines ensure security of funds and are imbedded within the NEST trust deed. Net income earned from the investment of funds is regularly distributed back to employers and can be used as a credit against future contributions. Investment income is calculated daily and pro-rated to each contributing employer based on their daily balance.

Long-term NEST employer participants will enjoy significant savings with their entitlements obligation becoming substantially self-funded.

The main objective of NEST is to secure employee entitlements. In accordance with the Trust Deed, the Trustees principle consideration is to protect the original capital invested (employee entitlement contributions) from any capital loss. The Trustee has established strict investment guidelines and safety measures within the NEST Trust Deed to ensure the protection of employee entitlements. These guidelines state that all investments of NEST must have an independent credit rating by a recognised rating agency of 'A' or better.

This means NEST only invests in institutions with a classification that establishes the investment is of high credit quality by recognised professional institutions to ensure the security of the entitlements. Only once these institutions meet the criteria required under the Trust Deed would the Trustee seek investment.

Not only does this offer security, it also provides the potential for competitive returns on contributed funds. For specific information regarding NEST's investment manager(s) and asset allocations please visit the NEST website.

Fees and Charges *charges*

No fees and charges are deducted from employer contributions, protecting the trust's capital from erosion. Furthermore NEST does not charge employers or employees any fees or expenses of any type, however, employers are liable for any applicable stamp duty or taxes. All expenses associated with the administration and operations of NEST are paid solely from administration fees. Administration fees are deducted only from investment income.

The following checklist shows NEST's efficient cost structure.

Checklist Of Direct Fees And Charges		
QUESTION	ANSWER	HOW MUCH AND WHEN IS IT PAID?
Is there an establishment fee to set up a NEST account?	No	N/A
Is there a contribution fee for my initial contribution or any subsequent contribution made to NEST?	No	N/A
Will a withdrawal fee for any withdrawal made from the fund?	No	N/A
Is a termination fee payable when my NEST account is closed?	No	N/A
Will I have to pay an adviser service fee of any type if advice or assistance is required from a NEST representative?	No	N/A
Will employees be charged member fees or account keeping fees of any description for either active or inactive accounts?	No	N/A
Will I or my employees be charged any ongoing fees for fund administration, Trustee expenses, Trustee committees, investment management, indirect expenses, expense recovery and any other fees that may be charged; other than the administration fee described in the checklist of indirect fees and charges below?	No	N/A

Checklist Of Indirect Fees And Charges		
QUESTION	ANSWER	HOW MUCH AND WHEN IS IT PAID?
Does the fund administrator receive an administration fee for the general administration of the fund?	Yes	The fund administrator receives administration fees. These are paid as a percentage of investment income in accordance with its contract with the NEST Trustee. No fees may be deducted from an employer's or employee's account. Administration fees are paid monthly and calculated at 20% of investment returns plus GST for the first 400 million dollars of funds managed; and 10% plus GST for the portion of funds managed above 400 million dollars.
Do employers or employees pay investment management fees or investment advisor fees?	No	All investment management fees and investment advisor fees are included in the administration fee above.
Do employers or employees pay expense recoveries for the out-of-pocket expenses the trustee is entitled to recover from the fund?	No	All expense recoveries are included in the administration fee above.

Additional Fee Disclosures

Government charges

Government taxes such as GST will be charged to the fund. GST of 10% is applied to administration fees. The Government allows that up to one hundred percent 100% of GST paid by NEST can be claimed back. This is claimed by NEST and redistributed as trust income to NEST beneficiaries annually.

Commissions and benefits

NEST does not pay any commissions to third parties or provide any soft dollar benefits to any person or organisation.



How NEST communicates with you *communicates*

NEST is committed to keeping employers and members fully informed about their fund. Our regular communication takes the following form:

1. Employee statements

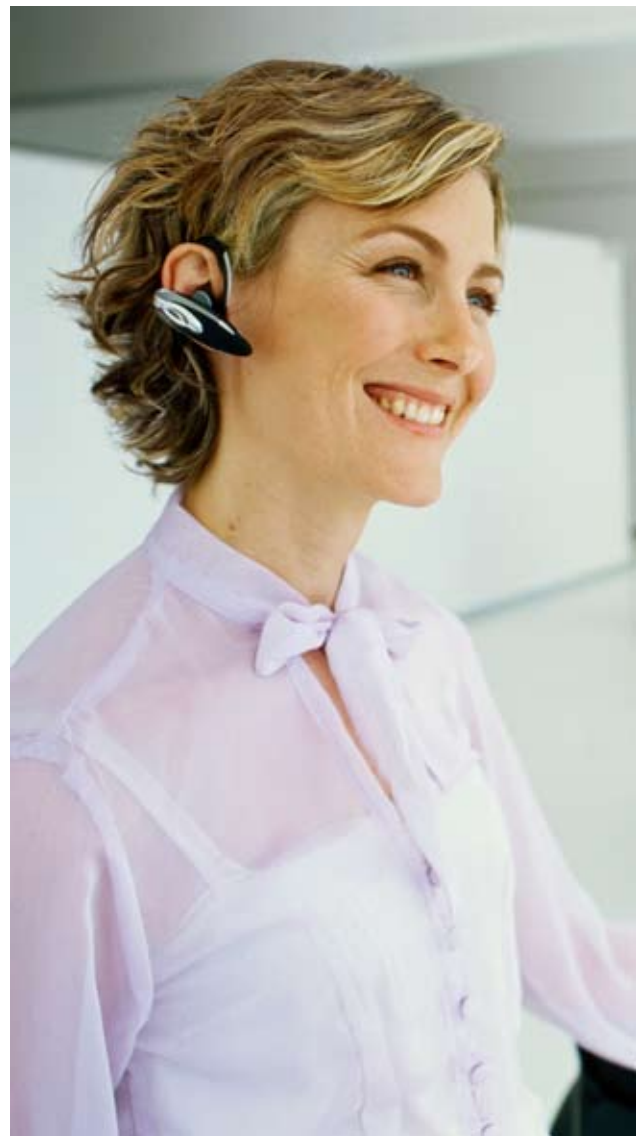
Every three months, active employee members will receive NEST statements showing the financial year to date transactions. These statements are very detailed and show account and entitlement balances, the date(s) contributions were received and allocated and the dates any claims against a members account were made. Members can track their account activity and download various reports and statements at all times on the internet.

2. Employer statements

Every month, NEST sends employers a Contribution Statement. When employers claim from the fund they will receive a detailed claim advice. When trust income is paid to an employers account they will receive a trust distribution advice. Employers can track their account activity and download various reports and statements at all times on the internet.

3. General Communication

From time to time NEST may communicate by post, facsimile, email, publication in the national or local paper, on our website or by any other means permitted by law to inform members and employers of relevant events or developments. Notwithstanding the above employers and members with specific enquiries should feel free in contacting NEST who will be delighted to assist.



To assist NEST in meeting its objective of exceptional service to employers and members, it is important that NEST members and employers provide correct and updated contact information. Please inform NEST immediately if there are any changes of addresses, business name, the nature of business, contact information or any changes relevant to Employment agreement(s).



Further information for Employers

3





Information regarding contributions

Contributing to NEST could not be simpler. NEST offers flexible methods for calculating and paying contributions. The following section lists the options available for employers contributing into NEST.

Calculating Contributions

NEST does not determine the level and extent of contributions – contributions are calculated in accordance with the rates of pay, ordinary hours and leave entitlements contained in the Employment Agreement pertaining to that business or operation. In accordance with these parameters NEST offers various payment options for employers to contribute entitlements into NEST.

Method 1 - Term transfer (transferring entitlement liability over a nominated time period)

This option understands that employers may not wish to transfer the whole of their employee entitlement liability into NEST at once. Employers nominate a term that meets their financial objectives e.g. 12 months, 24 months etc. NEST then calculates a monthly contribution based on that term. Example the first contribution in a 24 month term would equal $1/24 \times$ the total current leave liability; the second contribution would be $2/24 \times$ the total current liability.

In this regard, each month an employer simply sends us a current leave liability report for their organisation (which in most cases is easily accessible via the employer's payroll system). NEST will then reconcile each employee's NEST member account to the Leave Liability Report provided and calculate a monthly repayment based on the employers nominated transfer term. NEST then sends the employer a Contribution Statement and all the employers need do, is make the payment.

Method 2 - Immediate transfer (transferring entire entitlement liability at once)

This method suits employers who wish to transfer all currently accrued entitlements into NEST in one easy transaction. Employers who use this option often make a one off payment representing the existing liability on their Balance Sheet and then continue monthly contributions into the future representing new accruals.

Simply send a Leave Liability Report with the payment representing the total liability and NEST will establish a Member Account for each employee. Then all is required is the ongoing monthly contribution payments of newly accrued entitlements as reported within future leave liability reports.

Method 3 - Paying only future entitlement accruals from an agreed start date

This option requires that an employer pays all future employee entitlement accruals into NEST but any existing liability remains in the employers balance sheet. Any leave taken by employees is funded from the employer's balance sheet provision for the specific employee and type of leave taken before claiming from NEST.

NEST contributions under this method are calculated using the relevant accrual rates for each type of entitlement. For instance, if ABC Pty Ltd accrues long service leave at 2.5% of ordinary wages their NEST contribution will be calculated in the same manner. A current leave liability report also needs to be provided with the payment of a monthly contribution.

Method 4 - Fixed monthly payment

With this method a NEST representative will sit down with you and calculate a fixed monthly amount to be paid. An agreed fixed payment will then be deposited each month into NEST to bring all past accrued entitlements into NEST over a period of time. The payment will then be allocated to employee accounts pro-rated their current leave balances. A current leave liability report needs to be provided with the fixed monthly payment.

Whichever method is chosen, NEST will work with you to make it as easy as possible. Please contact NEST for more information on any of these methods.





Completing ongoing contributions statements

NEST sends all Employers a monthly Contribution Statement based on the previous month's contributions and any known adjustments. You can make further adjustments on the form itself. Adjustments include:

- addition of new employees;
- termination or resignation of existing employees;
- varying employee entitlements or pay rates; or
- amending member details.

Alternatively you can simply send us your current Leave Liability Report and we will make all the adjustments for you. Once the adjustments are complete we will then send you an updated Contribution Statement reflecting the outstanding liability (as per the leave liability report and your chosen payment method)

Once all adjustment are complete all you need to do is submit the payment. Contributions to NEST are paid in arrears and are due within seven calendar days from the end of each monthly period.

Taxation *taxation*

NEST has applied for and holds a number of important taxation rulings. These rulings provide benefits to employers, employees and the NEST fund. The table below provides a summary of NEST's taxation rulings.

RULING TYPE	ISSUED BY	DESCRIPTION
Class ruling 2004/40 Tax deductibility	Australian Taxation Office	That employer contributions into NEST are tax deductible at the time the contributions are made.
Class ruling 2004/49 Member payments	Australian Taxation Office	Payments directly from NEST to an employee retain the same concessional treatment as if NEST was the employer.
Private Ruling 38224 Contributions are not income	Australian Taxation Office	That the Trustee of NEST is not assessable under the "Income Tax Assessment Act 1997" on employer contributions made to the fund.
Legislative Fringe benefits tax	Commonwealth of Australia	That NEST is prescribed in legislation as an approved Worker Entitlement Fund (WEF) and as a result employers will not be liable for FBT on contributions paid into NEST.
Legislative GST	Commonwealth of Australia	That contributions for employee entitlements are categorised as salary and wages and as such are GST exempt.

Payment options

NEST provides a wide variety of payment options to make contributing into NEST easy. These are as follows:

Cheques

Simply make out the cheque payable to NEST marked "Not Negotiable" and post with your Contribution Statement.

Electronic Funds Transfer (EFT)

This is a secure and quick way of paying NEST contributions. With EFT, your contributions will be transferred electronically from your nominated bank account directly into the Fund's account. To use your own banking facilities to directly credit NEST's account, please use the bank details provide on your contribution statement.

Direct Debit

NEST Contributions can be automatically withdrawn from your account each month. To select this option, just complete and sign the Direct Debit Request Form, which may be downloaded from the NEST website. Please feel free to call NEST for more information.

Contributions are tax deductible

Under existing laws, employers are required to pay or accrue provisions for employee entitlements in accordance with their relevant Employment agreement. Currently under the Income Tax Assessment Act 1997 (ITAA 97) s26-10, the employer only receives a tax deduction once the employee's entitlements are paid to the individual to whom it relates in the income year of payment.

NEST holds Class Ruling (CR 2004/40) with the Australian Taxation Office (ATO) which enables participating employers to claim a deduction under the Income Tax Assessment Act 1997 (ITAA) S8-1 for the amount of the contribution to NEST. This means that any employee entitlements contributed to NEST, as required by an Employment Agreement, are tax deductible at the time that it is paid into NEST.

Member payments have concessional treatment

NEST holds Class Ruling (CR 2004/49) with the Australian Taxation Office which states; where an employee member of NEST receives a payment of employee entitlements directly from NEST, then that payment may receive concessional taxation treatment, in the same manner applicable, had the payment been made by the employer to the employee.

This means that no employee member of NEST will be disadvantaged when paid their entitlements directly from NEST. Regardless of the type of employee entitlement paid the employee will receive the exact same amount after tax that would have been received had the employer made the payment to the employee.

Contributions are not assessable as trust income

NEST holds Private Ruling Authorisation Number (38224) which states; NEST is not assessable under section 6-5 of the "Income Tax Assessment Act 1997" on the employer contributions made to the fund.

This means that contributions made by employers into NEST, representing employee entitlement accruals for the capital of the NEST trust and will not be taxed as income to the fund. This private ruling ensures that both employers and employees are protected from having employee entitlement contributions diluted by tax.

Contributions do not attract fringe benefits tax

NEST is prescribed in legislation under the "Fringe Benefits Tax Assessment Act 1986" (s58PB) as an approved worker entitlement fund. This means that contributions representing employee entitlements that are paid into NEST will not create a fringe benefit tax liability to the employer or employee.

Contributions do not attract GST

Employers making contributions into NEST will not be charged GST on these payments. This is in accordance with the GST Act (A New Tax System (Goods and Services Tax) Act 1999), which states that salaries and wages are GST exempt. NEST contributions represent salaries and wages and are therefore GST exempt.

Other taxation matters

GST on administration fees

GST does apply to administration fees charged to the trust. The government however allows up to 75% of GST charged to the fund to be reclaimed. NEST claims GST paid by the trust and distributes it to the beneficiaries annually.

Tax file numbers

Where employee Tax File Numbers are not provided and where applicable; NEST must deduct tax from payments made to employees at the highest marginal tax rate. This usually occurs where an employee receives a trust distribution or interest payment.

State taxes and levies

NEST does not change the way an employer administers state taxes and/or levies such as payroll tax and workers compensation premiums. Employers can continue to run these obligations through their normal payroll process.





Frequently Asked Questions *questions*

Q: Why have a trust for entitlements?

A: To protect employee entitlements. If employee entitlements are placed within a trust, they are secure regardless of the financial circumstances of the employer.

Q: What is NEST?

A: NEST is a national industry trust fund that is designed specifically to protect employees' entitlements as they accrue. It is a not for profit trust open to employers in any industry.

Q: How does NEST work?

A: Employers pay monthly contributions into NEST representing the entitlements of their employees. These entitlements are held on trust until they become payable. Contributions are pooled and then invested.

Employees continue to be paid their entitlements from employers when they fall due in the normal manner, with employers claiming any entitlement accrued directly from NEST. Alternatively arrangements can be made for entitlements to be paid directly from NEST to the employee.

In the event of insolvency NEST pays all the due entitlements in the Trust directly to the employee.

Q: Who controls NEST?

A: The Trustee controls NEST who is NEST Nominees Pty Ltd.

Q: What fees and charges are involved?

A: There are no direct costs to employers or employees; however the Trustee makes a deduction from investment income earned by NEST to cover all administrative costs.

Q: Where do my contributions go?

A: Contributions are pooled and invested in high credit rated funds. These funds must be 'A' rated or better by a recognised credit agency to ensure their security.

Q: Can accrued entitlements be transferred into NEST?

A: Yes, with the exception of superannuation and subject to the relevant Employment Agreements you are able to transfer any entitlement into NEST.

Q: Are entitlement funds safe if the company is sold?

A: In many situations, when a business is sold the new owner cannot or will not guarantee the entitlements of the employees that accrue prior to the transfer of the business. Entitlements within NEST remain protected on change of ownership.

Q: What happens to members' entitlements when they change employers?

A: When an employee member changes employers, their entitlements will continue to be directly credited to NEST provided their new employer is a NEST member. If the new employer is not a member, NEST will hold that employee's member entitlements in an account until they are either claimed, or the employee member moves onto another employer who is member.

