Securing Australians' Superannuation Budget 2023-24 – Consultation Paper Response

PAYROLL EDGE CONSULTING

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Contents

Executive Summary

Payroll Edge Consulting are independent and system agnostic payroll consultants that work with businesses across many different industries and size to understand and improve how they structure their people, systems and processes to achieve good payroll governance.

Our responses below represent a combination of our significant experience in operational payroll over more than 30 years, as well as impacts that the proposes changes would have considering our current and previous clients.

It is important for the committee to consider that while the gross SG gap is circa 6% the contra of this statistic is that **94% of super contributions are being paid in line with the existing framework** and that over-complex procedural obligations may indeed lead to a decline of this achievement due to the administrative burden that is applied rather than an intentional non-payment of super obligations.

We would implore the committee to take note of the **feedback from the payroll industry** on the complexity and variability that already exists within the payroll delivery across different businesses and consider that any inadequacies of the systems and administrative processes that we rely on will be **personally burdened** upon the **individual payroll professionals** who will have the responsibility of ensuring that the any of the requirements are met in spite of any support we receive.

When responding to the questions posed by this consultation paper, we have considered that, for whatever political motivation that is driving this proposed change, that it is likely to go ahead in some form, and therefore have attempted to focus on key elements and how they can be successfully implemented. We have provided a number of examples and case studies to demonstrate the complexity that exists for some businesses including **the high volume of manual processes within the existing requirements** which may be underrepresented by other key industry bodies and are only truly understood by the professionals actually working in this space.

We would welcome any follow up or additional consultation that the committee may seek and are happy to make ourselves available.

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Payday Super

Defining 'Payday'

1. What implementation issues could arise if 'payday' is defined as being each time a payment is made to an employee with an OTE component?

Most business bank accounts are still not enabled to provide NPP payments on bulk payroll payment files, therefore the cut off for payments to be made can be as early as 2pm in some states. Large employers can already struggle to meet this deadline for the scheduled payroll payments.

Most medium to large (and a lot of micro businesses) are required to submit super contributions through a third party system which sits separately from their payroll solution (super clearing houses) which require a level of manual work and controls to validate and process these submissions.

These controls and processes can, in some instances take significant time to perform.

Many existing clearing houses use an "all or nothing" data validation method. This means that if there is an error in the data provided for 1 individual or contribution then the whole set of data is rejected, and the employer needs to amend the information prior to being able to process payment, often resulting in manual adjustments outside of the payroll system.

Examples of common errors are:

- Negative OTE for the period
- Closed funds
- Redirected/ updated fund information not provided
- Incorrect USI provided
- Incomplete/ incorrect employee biographical data (ie incorrect addresses)
- Incomplete SMSF Details, or SMSF Compliance status change

With regards non-scheduled payroll payments, issues will arise where the amendment results in a negative value of OTE, or in circumstances where there are complex SG requirements.

Example: an employee was paid as 'ordinary time' that should have been 'overtime'. An out of cycle payment is made to correct the gross payment paid to the employee, but the OTE value is < 0. The super should also be adjusted to account for this. Currently such as adjustment would be applied against any other contributions for that employee for the broader period.

Current processes within major payroll solutions mean that the employer is not able to easily segregate different employees to process/ not process super contributions for a particular payment. Generally such a requirement would result in either missing other employees from subsequent submissions, or duplicating the contributions already paid for an employee.

In addition to the complex process and controls that are required internally by employers, the majority of major payroll software vendors meet their compliance requirements for super stream certification by simply having the ability to be able to produce a .csv formatted report with the SAFF file (or alternative SAFF file) Formats.

As a result, there are often significant limitations to how an employer can generate these 'reports' which may not support the requirements of having the 'pay day' defined as being each time a payment is made to an employee with an OTE component.

2. What implementation issues could arise when more regular SG payments are mandated?

Software Functionality/ Manual Processes

Currently, the majority of major payroll software vendors meet their 'super steam' compliance by simply having the ability to be able to produce a .csv formatted report with the SAFF file (or alternative SAFF file) Formats.

Often these have to be "customised" to the employers' requirements and/or incur significant expense to the employer to be able to implement under the existing framework.

We are aware of at least one major payroll software vendor that quoted an employer of ~2000 staff an in excess of $10,000 p.a. on top of an existing $100,000 p.a. maintenance fee to be able to produce a SAFF compliant formatted file, in addition to implementation/ set up costs.

This leads to many employers having to resort to manual processes to retrieve and combine multiple data sources manually to achieve the data required by third party processing services. These manual processes take significant amounts of time to prepare, and are in addition to all other reporting requirements that currently have to happen within the payroll function within short timeframes of the 'pay day'.

- STP reporting (1 day)
- Payslip distribution (1 day)
- PAYGW payments (7 days)
- Payroll Tax Reporting (7 days from end of month)

Multiple Pay Periods

Many employers have several pay periods or 'pay runs' within a single employing entity. These may vary in frequency and schedule, with employees potentially moving between the different 'pay runs' at varying intervals.

In addition to this, employers may be required to process additional 'pay runs' to accommodate termination payments, or to adjust for payments made in advance.

For example;

- 2x fortnightly pay runs on alternating weeks
- Combination of Weekly, Fortnightly and Monthly pay runs
- different groups of employees that are paid for the same frequency (say weekly) but for different periods/ paid on different payment dates

Currently employers can combine all these different periods for a Month or Quarter and make one superannuation submission for them, reducing the overhead and resourcing costs of facilitating the payments. This is particularly important where there is a need for manual processes.

Case Study: An employer may be covered by 2 separate modern awards for different groups of staff which mandate the need for different frequency of payment resulting in the employer having a monthly (portion being paid in *advance) and weekly pay run for the staff respectively. Termination payments are required to be made within 3 days for the weekly staff, and 7 days for the monthly staff under the terms of the modern award.*

Currently, they make 12 monthly payments for superannuation contributions each year, combining all payments made in the preceding month.

Due to the lack of functionality of their payroll solution, this process requires several manual processes and internal controls to reconcile and validate the payments being made through the clearing house. This process currently takes experienced payroll professionals a combined 8 hours of work, over a 3 day period to complete.

*12 payments x 8 hours = **96 hours** per year to submit super contributions*

Under the more regular super requirements (such as each payment), the reconciliation and validation would still take a similar amount of time.

12 monthly payments, plus 12 termination/ adjustment payments	*24 payments*
52 weekly payments, plus 50[1] termination/ adjustment payments	*102 payments*

*(24+102) x 7 hours[2] = **882 hours** per year to submit super contributions*

[1] assumes that there are no terminations/ adjustments required for at least 2 weeks of the year

[2] assumes that there is a time saving of 1 hour per payment to account for the smaller number of employees in each transaction

Updating the SG Charge

3. Are there any advantages or disadvantages with the requirements of payday super being fulfilled if employers make the payment of SG contributions on 'payday' (i.e. the employer payment model)?

Advantages

We were not able to identify advantages of the 'pay day' model.

Disadvantages

- There is no room to facilitate other payroll process requirements
- Multiple periods and/ or employees changing periods within an employer are difficult to manage
- Overpayments of OTE entitlement won't be able to be considered

4. Are there any advantages or disadvantages with the requirements of payday super being fulfilled if the employee's superannuation fund has received employer contributions a certain number of days after payday (i.e. the due date model)?

Advantages

- Room to allow for non-scheduled payments
- Ability to combine multiple pay periods/ frequencies within a single employer

Disadvantages

- There would be a variety of interpretations that need to be applied

5. Should there be a standardised due date for SG contributions depending on different pay cycles, independent of the frequency to when salary and wages are paid?

No.

The due date should be referenced to the pay cycle and frequency/s of each employer.

There is no standard "pay day" regardless of whether the frequency is the same (For example, 2 employers could both pay weekly, with one paying on a Monday and another on a Thursday).

When considering how this should apply, there should also be a mechanism for an employer to be able to apply for a 'company-wide' due date to account for circumstances where the employer has multiple pay periods.

To account for potential changes to an employer's nominated pay day, they could be required by application process (ie an employer registers their 'normal' pay day/s. If they change their normal pay day, then they would need to request an amended payment date to be registered from a certain date)

Consideration should also be given where the normal payday of the employer falls on a public holiday in the state or locality of the employer's **payroll operations.** In this circumstance, the next business day should be considered the 'normal pay day' regardless of whether an employer chooses to process a payment earlier (or where an award or agreement mandates).

6. Would requiring a new reporting mechanism for employers under an employer payment model to the ATO on payday increase compliance burden?

Yes.

The administration burden of superannuation contributions falls heavily on to the payroll professionals within a business or organisation.

Payroll Software vendors are not responsible for the compliance, and are not incentivised to provide meaningful product enhancements

Super Clearing houses are not responsible for the compliance and purely provide a mechanism for the contributions to be distributed. There is no financial incentive for them to provide any meaningful product development

Directors and Executives for organisations, while legally accountable, are not personally involved in any part of the process.

7. How would intermediaries continue to be incentivised to expedite the processing of employer contributions under an employment payment model?

They would need to be provided financial incentives to invest in implementing better or newer digital technologies to provide the functionality.

Mandating requirements would assist, however it may result in payroll software vendors exiting the Australian market rather than bearing the costs of development and force employers to have to engage in costly and time consuming implementation projects for new software.

Given the current lack of resource availability to do this, it would make some employers unable to meet the required deadline.

STP2 implementations have been delayed significantly with many (often large) employers as a result of these same issues.

8. Given reduced payment processing times facilitated by modern payment platforms, is a due date of 3 days after payday for superannuation contributions under a due date model feasible? What would prevent this timeframe?

No

Most businesses (and especially large ones) do not have access to these new payment platforms for bulk payments, and even if they do, superannuation contributions are generally processed through a 3rd party/ clearing house. The time required is not necessarily for the money to change hands, but for payroll to prepare, validate and submit the contributions to the 3rd party clearing house.

Currently some clearing houses provide terms of up to 14 days (or more) to process payments into an induvial member account. This is not in the control of the employer, yet it is the burden of the employer to ensure it is done.

9. What impact would shorter payment timeframes have on clearing houses and other financial intermediaries that facilitate the payment of superannuation contributions to funds?

I can not provide comment on this question

10. Would shorter payment timeframes require regulation of these financial intermediaries to ensure payment timeframes are met?

Yes.

They will need to wear the burden of ensuring that they have the technology, systems and financial frameworks in place to ensure that they can facilitate shorter timeframes for processing.

This should include not only the payment networks that are utilised, but also better reporting/ resolutions of issues with individual super contributions (such as changes to super funds)

Example: The WESTPAC owned clearing hours Quick Super removed the ability for employers to use a direct debit option with super contributions.

This means that for some businesses, once they have created their super contributions and submitted for processing, they then have to wait 2-3 days for funds to clear in the clearing house accounts before they are released onto the individuals super accounts.

11. How can the payday super model be designed to ensure it can adapt to changes and innovations in payment and data platforms?

The design of the payday model can incorporate elements that will assist it to be able to adapt to changes and innovations in the data platforms that become available;

- Consider replacing the commercial clearing house platforms with a centrally controlled platform

- Increase the regulations that Digital Service Providers are required to meet to be considered a registered product to ensure that they have meaningful functionality to provide employers

12. What are the benefits or risks associated with allowing multiple payment methods and how might this affect payments processing for clearing houses and superannuation funds? Would there be benefit or risks in only allowing one payment platform (such as the NPP)?

I cannot provide comment on this question

Compliance Mechanisms

SG Charge Assessments

13. What is the appropriate timeframe for ATO reconciliations? For example, fortnightly or monthly? Should the timeframe differ depending on the frequency of payday or would a standard timeframe be more appropriate?

A monthly cycle would make the most sense. It is generally the least frequent that any employer would be making payment to employees.

As the resource burden would be more significant under any super on payday model, consideration also needs to be made on the resource burden to respond to any communication regarding the reconciliations.

14. Should there be a mechanism whereby employers can pay SG charge they know they have accrued, prior to the reconciliations and assessments being issued? How should this occur?

Yes

Employers should be able to make payments through their ‘normal’ process, even where that payment is late. This will assist in expediating the funds being applied to the employees super account and enable the reporting and financial controls within a business to remain consistent.

It would lead to quicker resolutions and payments to employees as the current process is time consuming and occurs outside of any existing processes or systems – it is entirely manual.

Nominal interest should be added as an additional superannuation ‘type’ to enable the employer to facilitate the payment of funds directly to the employees account as soon as possible so that they can receive the benefits of these funds in their accounts.

Consider that any nominal interest could be automatically applied to the contributions as part of the clearing house based on the applicable framework, with the option for an employer to apply for an exception based on a pre-determined criterion, which can then be reviewed by the commissioner and either accepted or denied.

If there is any amount calculated by the ATO that exceeds the amount already paid, or where there are additional fees/ charges to be applied, then these could be raised directly to the employer through the business tax portal and paid directly to the ATO.

This would not exclude the SGC Charge Statement (or similar) process being lodged directly with the ATO where there is an intentional non-payment of superannuation, or the ATO has commenced proceedings to recover the unpaid superannuation.

Rectifying Underpayments before an SG Charge Assessment is Issued

Tax Deductibility and Compliance

15. Should the LPO and carry forward of late payments remain a feature of the SG compliance system in a payday super model? Could an alternate system be adopted whereby late payments apply retrospectively to the earliest period outstanding?

In principle, yes.

But rather, refer to the comments and proposed options to enable payments to continue as normal, with any penalties applied to an employer separate to the normal process of paying super contributions. In this manner, being able to apply payments to the oldest first could be facilitated.

16. Should late SG contributions be tax deductible under certain circumstances, for example when an employer amends the SG charge before it is assessed by the ATO?

Yes

Where payment is made within a certain period (say within 30 days), and formal action was not required, it should remain deductable for the employer.

Most late payments are for honest reasons.

With a higher frequency, there is more of a chance of administrative errors resulting in a technical 'late' payments.

By allowing a window where the employer is still able to claim the tax deductibility, it will encourage quicker remediation of administrative errors improving the timeliness of payments made to the employees.

17. What kind of prompts or nudges could be provided to employers to be aware of and meet their SG obligations on time?

With the increased frequency of payments, these will be mostly a waste of time and resources.

In a lot of cases, the people responsible for submitting super contributions on behalf of an employer are the payroll professionals who are not generally assigned as a contact for the ATO to send communications to.

In smaller organisations where they may be using a bookkeeper or accountant to process payroll, they are likely to receive many notifications or "reminders" for multiple businesses.

18. Are there more appropriate incentives outside of the LPO to encourage employers to pay SG in a timely manner?

Yes

Separating the payment of contributions, and any penalties to be applied would encourage employers to continue to follow the normal process and ensure that not only payments get made on time, but that late payments are rectified sooner.

If nominal interest is applied to the payments automatically through (say) the clearing houses, then generally internal controls will address any procedural/ administrative issues as the result of the additional cost applied.

Systemic or intentional non-compliance can then be dealt with separately and, if necessarily more harshly in the context of those individual circumstances.

SG Charge Calculation

19. Would changes to the SG charge be required to ensure the charge remains adequately punitive for non-compliant employers?

Yes
We believe that if employers are able to continue to make payments through the normal process, then it would also make sense to enable to SG charge to be adjusted so that it can be less for small administrative issues that were resolved quickly (say, an amount per instance rather than employee to cover the administrative requirement for the commissioner to review an application) while being able to be more punitive for intentional or serious contraventions.
We would also like to see that, other than in extreme cases where punitive action is required, that the SG Charge only relate to the OTE of the employee for the period, and not the whole of the gross income.

This will encourage employers to address and rectify administrative issues quickly, while remaining an option to increase the punitive nature for genuinely non-compliant employers.

20. Does the current nominal interest rate of 10 per cent per annum adequately compensate employees for the foregone interest that would have accrued in the fund had their super been paid on time?

Having a flat rate may at times be sufficient, however as economic conditions change, this can lead to it becoming either insufficient or becoming an additional punitive measure.

21. Does a nominal interest charge of 10 per cent per annum remain appropriate in a payday super model? Or are there alternative models that could address different degrees or severity of lateness?

The nominal interest rate should be more closely aligned to fund performance so that it is more reflective of the actual loss to the employee, rather than purely punitive to the employer.

A mechanism such as considering the “top 10” performing funds (or similar) to set the rate for each financial year could be considered to ensure consistency and to ensure that employees are not penalised for under performing funds over time.

An additional punitive adjustment could be applied to address different degrees of severity or lateness (for example [agreed rate] + x% or similar)

22. How should the administrative component of the charge apply? Is per employee, per ATO reconciliation period appropriate, considering your responses above to the appropriate timeframes for ATO reconciliations?

Where the employer makes payment in the normal manner (ie though the clearing house) and the payment has been made within a defined timeframe, a one-off administration charge should be applied to the employer as a more appropriate representation of the administration requirement of the ATO.

In cases where there has been more serious contraventions, or where the SGC Charge statement has been submitted to the ATO (and therefore the ATO are required to facilitate the payment to the individual funds) then the $ per employee would be appropriate.

When considering whether this is per employee, per reconciliation period is appropriate, consideration as to the reconciliation period that is applied needs to be considered and therefore it is difficult to determine whether this is appropriate in this regard.

23. Should the amount of the administrative component of the charge be changed? If so, what is the appropriate amount, and why?

I cannot comment on the appropriate amount of administration component to be applied, however would encourage the committee to consider whether different rates may be applied in different circumstances (such as one off employer charge, or per employee charge)

24. Given that the current SG charge is not tax deductible, are there any circumstances where a non-compliant employer should be able to make a tax deduction for the SG charge paid?

Yes

Where payment is made within a certain period (say within 30 days), and formal action was not required, it should remain deductable for the employer.

Most late payments are for honest reasons.

With a higher frequency, there is more of a chance of administrative errors resulting in a technical ‘late’ payments.

By allowing a window where the employer is still able to claim the tax deductibility, it will encourage quicker remediation of administrative errors improving the timeliness of payments made to the employees.

25. Are there any other changes to the components of the SG charge that should be considered in the move to a payday super model, in the context of the purpose of the charge? For example, should the punitive aspects of the charge be more proportionate to the size of the non-compliance (that is, the size of the debt)?

No

By adjusting this based on the size of the debt larger employers will be unfairly penalised purely based on their size, rather than the circumstances of the non-compliance.

26. What should 'additional behavioural penalties' look like in a payday super model?

We would like to see that rather than additional behavioural penalties, that flexibility be provided so that employers that may find themselves in the position of honest administrative errors can easily correct and remediate these issues in the normal manner and that rather, the full context of the SG Charge, Administrative costs and punitive fines are instead directed to employers making intentional or serious contraventions.

Given that the administrative burden of these regulations and policies are generally assigned to the payroll professionals in an organisation, who are not decision makers when it comes to the remuneration structure, having this flexibility will more accurately reflect on the business owners, directors and other senior decision makers which will result in more engagement regarding the compliance of such a model.

ATO Flexibility in SG Charge Remission

27. Would granting the ATO flexibility to remit the SG charge in certain circumstances on the part of the employer risk the integrity of the SG charge?

Granting the ATO the ability to amend or remove the SG Charge would not risk the integrity of the SG Charge. Granting this flexibility would align with other similar flexibility that exists for things such as general interest charge for PAYGW, GST and income assessments.

Providing this flexibility will allow for honest administrative issues, as well as issues that are outside the employers control to be addressed fairly, while still providing for a mechanism for penalty to the employer and retaining the employees benefits.

28. If you consider that the ATO should have some discretion to remit the charge, under what discrete circumstances should this be able to occur?

While far from an exhaustive list of scenarios, below are just some of the circumstances that could be considered for the ATO to have the flexibility to remit some or all of the SG Charge;

- Natural Disasters
- Employee Initiated Issues (where the employee has failed to provide correct or sufficient information)
- Super Fund initiated issues (such as where mergers have taken place and the member information has not been provided – refer to the issues raised with the recent BT and Mercer mergers)
- Where funds are returned by the fund but the employer has followed the instructions of the employee (this is normally a result of poor administrative practices within funds)
- Where the fund (such as an SMSF) becomes non-compliant and the employer is not able to make the contributions

- Other (non-natural) disasters such as system outages or key personnel disruptions

- Other circumstances, similar to other reporting exemptions for BAS, PAYG that are applied (for example the extensions that were granted over COVID)

29. Should any discretion to remit the SG charge apply to the entire amount due or only to certain components? For example, scope could be given to the ATO to remit the nominal interest and administrative components of the SG charge but not the SG shortfall.

While it would be beneficial for the ATO to have the discretion to remit all components, we would expect that in the majority of cases it would be applied to the nominal interest and administrative components of the SG Charge rather than the shortfall amounts.

What we would appreciate consideration of, is a default position that the SG Charge is only applied to the OTE earnings of the employee unless serious or significant contravention, where the whole SG Charge could still be applied. Again, this seeks to encourage self-reporting and corrections in a timely manner for small administrative errors without excessive penalty.

30. Would it be appropriate for the ATO to have discretion to extend the due date for the SG charge? If so, in what circumstances would this be appropriate? Further, what would be an appropriate time period for any extension? Should there be a limit on this?

It would be appropriate to provide the ATO discretion to extent the due date for the SG Charge. This would be appropriate where an employer is actively engaged in resolving outstanding contributions, however being able to recognise that the process to do so can be very manual and time consuming, especially in large organisations, would promote employers to report earlier and collaborate on remediating.

We would also ask the committee to consider that where an employer does not have the expertise or resources to perform this work, they are often required to engage external consulting resources to assist (whether technical system expertise or audit resources).

In these circumstances the availability of resources can compound the time required to remediate any identified issues.

Corrections and Errors when Paying SG

Corrections and Errors for Superannuation Funds

31. Should employers be allowed to make ‘catch-up’ contributions due to errors?

Yes, in limited cases, employers should be allowed to make ‘catch-up’ payments due to errors, however whether these payments are still subject to (at least) nominal interest payments should still be considered.

I would refer the committee to review the points addressed with the method of making the payments, and the circumstances in which the SG Charge may be waived in previous responses and extend those same considerations and concepts here.

32. What would be a reasonable time period to allow employers to make ‘catch up’ contributions that aligns with the intent to pay superannuation alongside wages? Should this time period differ depending on payday frequency?

Allowing a 28 day period in which to allow an employer to gather any additional information that is required to be able to make the payment would align with the time periods provided for other related matters (such as employees providing TFNs or Super choice forms).

The 28 days should apply from when the employer is notified of the error and should include ensuring that the way in which the employer is notified can be traced.

33. What are the challenges in correcting SG payments under a payday model? Is this an efficient way for employers to make corrections? Should error messages be standardised across funds?

The challenge with correcting SG payments relates in the most part to the timing of payroll processing and the access to the information required.

Error messages should be standardised as a given, regardless of the outcome of payday super. More emphasis on timely, thorough and complete reporting of issues back to employers is important to ensure that the corrective action can be taken.

In addition to error messages, clearer guidelines on when a fund should or should not accept contributions on behalf of an employer would assist to ensure that administrative errors can be resolved quickly.

Example: we have worked with organisations who have waited months for super funds to return contributions they should not have accepted due to an administrative error, and even when the funds were returned, they were not done together, but rather were dragged out by several more months.

In at least one of these cases, the contributions were accepted on behalf of employees who were not members of the fund, and where the fund was not a default fund for the employer. The administrative error was a result of a transfer of ownership of the fund.

34. Is the 20-business daytime period for superannuation funds to resolve errors appropriate in a payday super model?

20-business days for super funds to resolve errors remains reasonable, however more accountability on the funds to adhere to this time period is required.

35. Under a ‘due date’ model, would it be appropriate for a period of grace to apply after the due date for SG contributions? If so, should the grace period apply automatically? Or should it be applied at the ATO’s discretion in certain limited circumstances?

Yes, under the due date model grace periods should automatically apply. Initially it would be beneficial to provide for a longer grace period, slowly reducing this over time. The grace period should be sufficient to account for public holidays that may fall in the Australian state, region or locality that the payroll processing is based.

We would recommend that upon initial implementation of such a model, that a 10 business day grace period would be appropriate, dropping down to a 5 business day grace period.

Choice of Fund, Stapling, and Employee Onboarding

36. Would a digital ATO service simplify the choice of fund process and assist employees and employers to confirm the right super details? What functionality would be required? Would this address issues with data integrity under a payday super model? Should such a service be mandated?

While the concept of a digital service sounds like a positive step, the reality is that without the software solutions on the employer side that is able to digest the information, it will not have any real-life impact for businesses.

Such a solution would currently mean that an employee will simply download a document or view their details to complete the employers onboarding requirements, with the same security and record keeping requirements as current processes.

While it would be welcomed to be able to receive communications back through channels such as STP, the reality is that so many major payroll software solutions were not able to do this without the use of a 3rd party tool.

37. What are the costs and benefits of requiring employers to offer stapling to employees? Are there other changes that could be made to the choice of fund process? Could a digital ATO service reduce the administrative burden associated with stapling?

The super stapling requirements will not have had the intended impacts. While the concept is sound, it increased the administrative burden on payroll proffessionals.

Increasing accountability and engagement for individuals regarding their superannuation would result in a much higher success.

Likewise, removing the application of “default” funds for this purpose and requiring employees to provide their information in the same manner as bank account or tax details would ensure that employees have to engage in the process directly.

If we consider that employees have been required to provide bank account information for quite some time, even those migrating from international residence know of the requirement to set up a bank account, and to register for a Tax File Number. Selecting a superfund, and opening an account should be just another step in the same context.

38. What are the costs and benefits of a ban on advertising super products during onboarding?

While this is not something that payroll can comment on directly, we would like to see this be something that is considered independently of any other legislation. The employer should not be an avenue ofr businesses to advertise to employees for any reason.

It is acknowledged amongst payroll professionals that they are not able to provide financial advice, and this should continue to apply through any software services that are utilised within an employer.

Other Payday Super Issues

SG Reporting Frameworks

39. How could a smooth transition be managed to aligning STP, SuperStream, MAAS and MATS reporting, either through changing the reporting requirements to year-to-date values or transaction-based reports?

I cannot provide comment on this question

40. How could a smooth transition be managed if additional fields in reporting are made mandatory?

I cannot provide comment on this question

41. Should a new unique identifier be included as a mandatory field in STP, SuperStream, and MATS which links employers, employees, and transactions?

Employers already provide key information that would be required to be able to match contributions. We encourage the committee to explore the reason that this is not accessible already.

Information provided on both STP and Super Contribution Files (SAFF)

- TFN
- Employee Name
- Date of Payment (or period contributions relate to)
- Employee Biographical information (address)
- Employee ID/ Reference

42. Are there any issues or consequences with including an employer's SG liability and OTE as a mandatory, rather than optional field in STP reporting?

Software vendors would need to provide the response for this question. From a payroll perspective, this information is already available.

SG Contributions for the 2026-27 Financial Year

43. What is the best mechanism to avoid disadvantaging employees who would reach the concessional contributions cap in 2026-27 due to the accounting of SG contributions in the year the policy commences?

Providing for an exception to the SG Caps for the year/s impacted by the change (similar to the period where the concessional contribution cap changed) should be sufficient to account for the transition period.

Maximum Contribution Base Calculations

44. On what period should the maximum superannuation contribution base be calculated in a payday super model? Would there be issues if it remained a quarterly calculation? Are there any other mechanisms that could help prevent employers paying over the concessional contributions cap for employees?

The maximum contribution base already presents many challenges for employers.

Currently it is applied as a quarterly value, rather than aligned to either a contract period (year) or payment period (weekly, fortnightly, monthly).

While not making changes to this approach would likely only continue to present the same challenges, it would need to be considered along side the ‘reconciliation’ periods to ensure that it can be correctly and accurately reconciled.

Consideration of making the Maximum Contribution Base a pro-rata calculation that can be applied for each pay period could provide clearer expectations for both the employee/ employer, and the ATO to be able to consistently reconcile the contribution periods.

Defined Benefit Members

45. Are there any other changes that will be required for defined benefit members?

We would like the committee to consider whether DB members can be identified through the STP reporting, and therefore excluded from the STP reconciliation process.

Self-Managed Superannuation Funds

46. Should there be any changes to the reporting frameworks for SMSFs and/or Defined Benefit funds to the ATO?

Similar to the above, being able to identify an employee on STP data as having their super contributions remitted to a SMSF (or DB) would enable them to be either excluded from the data matching, or have different data matching/ reconciliation rules applied to them.

47. Are there any other changes that will be required for self-managed superannuation fund members?

We would like to suggest that it be considered that for SMSF members, any reconciliations be applied based on the SMSF reporting (annually).

Other Issues

48. Are there any other impacts on stakeholders or considerations Government should consider in policy design?

We would like the committee to consider treating the payroll industry (payroll professionals) as a separate stakeholder to the Digital Service Providers, Employer Industry Groups, or the Accounting Professionals.

Payroll professionals provide their own collective perspective separate to these groups and are able to offer meaningful and real-world examples of how policy design impacts businesses and employees on a day to day basis.

We would like to see the policy design reflect tangible improvements to the retirement savings of Australians with achievable outcomes.

49. What further changes would be required under the current rules to allow employers to meet payday super requirements?

We would like the committee to consider the real impact that the superfunds and payroll software vendors can have on seeing the outcomes of these requirements be successful. For such a transformation to occur, there is a joint responsibility to invest in the technology and systems that can provide these outcomes without punishing the employers and community that are genuine in their desire to meet their obligations.