Securing Australians' Superannuation

Consultation Paper response 3rd November 2023

Submission Overview

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Ozedi has been proving SuperStream and Single Touch Payroll services to the Australian software industry and its clients since 2013. We have 110 payroll software companies under service contracts and this number is expected to increase significantly with the release of our new superannuation payments solution which has integrated our SuperStream gateway with the New Payments Platform. This new solution, by providing employers with instant payments capability for superannuation payments will, as it happens, be important for the implementation of Payday Super.

In addition to our payroll-related solutions, Ozedi is also an accredited Peppol Access Point for eInvoicing and provides ebMS 3.0 AS4 software for customers to lodge Standard Business Reporting data directly with the ATO.

Ozedi has contributed to industry submissions but, as we have about 40% of all payroll software providers contracted to us, we felt that we should provide a submission on behalf of our customers. We started talking to our customer base earlier in 2023 about our instant payment solution and rather than run impersonal webinars for our them we have held individual on-on-one meetings and in the course of those meetings we have acquired a lot o information about superannuation payments from a very broad client base.

This submission does not provide answers to all questions in full as we have tended to focus on the ones which we know best – software and systems related.

Separation of responsibilities

Before dealing with each of the consultation questions we would like to draw attention to a key issue which does not seem to be widely understood and may impact the successful implementation of Payday super. The payment of superannuation is not necessarily related to general payroll duties carried out by an employer and cannot be intrinsically linked with such tasks as paying the staff and lodging the Single Touch Payroll data with the ATO. Broadly speaking, the current workflow and task allocation could generally look like this:

- Payroll prepared by payroll staff (in a lot of cases an external bookkeeper)
- Payment of staff is usually authorised by or made by employer or financial accountant
- Payment of superannuation, because it is currently deferred and separate from the payrun is handled separately for a variety of reasons:
    - It is dealt with as an accounts payable function – payroll staff lodge STP data with ATO but not superannuation because it involves paying money
    - Accounts payable staff only see the total amount paid to each fund and are not privy to individual employee data
    - Many organisations use one software package for accounting and another for payroll and the two systems are often not integrated at all

Defining payday (page 11)

Q 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?
A 1	There are potentially number of issues which may arise from super being paid on payday: 1. Super is not payroll a. As discussed in our overview superannuation is often paid by staff who are not payroll – could be accounts payable which makes the payment b. Payroll staff may be authorised to lodge STP reports but not make actual payments for either staff or superannuation c. The software used to make payments in an organisation may not be the same software used for HR and/or payroll d. The staff who make payments of super may not work on payday e. Currently there is usually a process to reconcile the superannuation to be paid against the superannuation accrued in the payroll software 2. Timing Payroll is complex and can take time to prepare and process. One example quoted was that the payroll software takes until the afternoon to get the pays processed and there may not be time to get the superannuation paid within the same day 3. Data issues a. New employee does not provide fund details before payday b. Current employee forgets to notify employer of change of fund which will create refund to the employer account sometimes weeks or months after payday c. Current employee forgets to notify employer of change of SMSF bank account which results in rejected payment d. OTE definition seems to be a significant cause for concern in terms of its complexity and contradictions
A1a	**Submitted by software provider** Typically the payment of the superannuation is via accounts payable – not so much payroll. I would think placing guarantees on same day payments of super through a different department in itself places stress on the business. Setting aside all cashflow considerations, the administrative burden being placed on the business continues to rise and with the threat of monetary penalties it only adds to the considerable stress they already experience. A business not paying their superannuation quarterly are clearly under financial strain and pressures, I am just not sure how making them do it more often will result in anything other than the quicker demise of small businesses.
Q 2	What implementation issues could arise when more regular SG payments are mandated?
A 2	As per A2
A2a	**Submitted by software provider** The "<u> OTE component</u>" wording should be better defined and clarified. If there are adjustments made in employees pays, adjustments that include changes to OTE outside of the normal pay cycle, are they expected to make an immediate payment to the employees super and then report on it also. Adjustments should sit outside of the requirement and it be limited to specifically defined payroll processes

Updating the SG charge (pages 12-14)

Q 3	What implementation issues could arise if ‘payday’ is defined as being each time a payment is made to an employee with an OTE component? 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)?
A 3	Ozedi sees a major advantage in that there are no reconciliation issues – the payment should always match the accrual even if the accrual includes negative or positive adjustments from previous payruns. Another advantage is that payroll software would need to become more efficient and the payroll processes for a company may have to be streamlined. The disadvantage (possibly significant) is that the person responsible for paying super may not work on payday. The change from paying super once a quarter to paying it every week may require a different delegation of responsibilities. In a lot of organisations, payroll and super are NOT full-time jobs.
Q 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)?
A 4	This solution will only work of there is a confirmation from the receiving fund that the money is in their bank account. The only payment method which provides this certainty is, as far as we are aware, is the NPP which issues a settlement status from the receiving bank account with seconds of making a payment. BECS does not provide this certainty.
Q 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?
A 5	No – that will add a layer of complexity to what is already going to be a massive change management exercise.
Q 6	Would requiring a new reporting mechanism for employers under an employer payment model to the ATO on payday increase compliance burden?
A 6	The problem with this question is the same as previously highlighted – the disconnect between payroll software and the payment of superannuation. Some payroll software could produce an ABA file which gets sent to accounts payable who then upload the ABA file to the bank to pay the super funds. Which system will do the reporting? The payroll software which does not know when the payment gets made? Or the AP people who would then probably have to generate some sort of a manual report? AND the AP people only have the total amount to be paid to each fund – for obvious privacy reasons they do not have the individual employee details.
Q 7	How would intermediaries continue to be incentivised to expedite the processing of employer contributions under an employment payment model?
A 7	Incentivised is a curious word and subject to interpretation. Intermediaries is also a very broad term. Does it include payroll software with integrated payment methodology like that of Ozedi, where the employer does not have to leave their payroll software to pay the super? Or is it limited to the current clearing house model? Does it include bookkeepers who are responsible for making a lot of super payments? One bookkeeper told us recently that she does the super for 175 clients. Obviously, at the moment she can spread that over a few days or weeks in a quarter. “Doing the

	super" for 175 clients in a day is obviously problematic so she was very excited when she saw our fully automated solution. Does incentivised mean penalties for intermediaries etc who cannot deliver in the required timeframes? If so we think it is a great idea.
Q 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?
A 8	We do not think it is aa question of feasibility because anything longer then 3 days will run the risk of clashing with the following payday if the pay frequency is weekly. Our experience of using PayTo for superannuation payments is that is seconds or minutes to pay and get a settlement status from the receiving bank account.
Q 9	What impact would shorter payment timeframes have on clearing houses and other financial intermediaries that facilitate the payment of superannuation contributions to funds?
A9	Significant impact. This is not just a technical issue but the commercial model of many clearing houses is based on earning interest on employee contributions to fund their businesses. You will find that the Financial Services Guide of clearing houses often contains a declaration they may earn interest on funds received
Q 10	Would shorter payment timeframes require regulation of these financial intermediaries to ensure payment timeframes are met?
A 10	We believe the regulation of these organisations is well overdue. At a recent payroll users conference a person in the audience asked a pointed question about the behaviour of clearing houses generally and the room erupted in applause. If there is no regulation, we have concerns that a blame game may occur in the event of a late payment with funds, employers and intermediaries all pointing a finger at each other
Q 11	How can the payday super model be designed to ensure it can adapt to changes and innovations in payment and data platforms?
A 11	We cannot completely answer for the industry on this but we do have views on this based on feedback from our customers (payroll software providers) Payments is probably a simpler issue. We believe that the answer to flexibility in payments is to build a payment gateway as we have. This supports 4 payment options at the moment: • Payment to funds via the NPP using PayTo • Payment to funds via the NPP using a direct NPP payment to Ozedi • Payment to funds using an American Express card which provides up to 51 days free credit • Providing a payment file to the employer who can then use their banking software to pay the funds directly • Other payment methods; e.g., Visa/Mastercard can be easily added to an API driven payment gateway Our experience in this sphere is that employers want flexibility, security and certainty around super payments Any payment method must provide a timely response to the employer that the funds have been received.

Q12	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)?
A 12	Given our experience with the NPP and super payments, there is no question that the NPP should be the preferred model. The intention of Payday super is to build a near real-time solution and that simply cannot be done properly without real-time payments. BECS is not going to deliver that capability and does not need to given the NPP already has it. The critical feature not included in this consultation is certainty. The SuperStream specification does not include any notification of success to employers. Our view from the very beginning of SuperStream is that this is a significant flaw in the model. BECS does not provide a notification to the employer that money has been cleared into the destination account and the superannuation funds are not required to provide an acknowledgement to the employer that they have received the data. Given that it is the employers who are subject to the SG penalties this current situation is not good enough. As well as providing instant payments, the NPP also provides certainty from the payment perspective. As soon as the payment is in the recipient's account, we get a settlement status report which we can pass back to the employer.

Compliance mechanisms (pages 14-21)

SG charge assessments (pages 14—15)

Q 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 13	To some degree this will depend on which data matching model is chosen to match accruals against payments. We believe that the best method is on a YTD basis rather than trying to match transactions. Our suggestion for reconciliation would be 3 business days after the end of each month. That would allow for payments delayed by BECS to be included in the reconciliation.
Q 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?
A 14	Yes there should be the opportunity to correct mistakes. Payroll is complex and errors will occur. A monthly reconciliation process will provide the opportunity for employers to correct any mistakes which have been made. Most payroll software should provide the capability of a super only payrun and that should be processed via STP. In some cases, this may be a negative adjustment and the STP and SuperStream data formats should be checked to ensued that negative values can be handled

Compliance mechanisms (pages 14-21) continued

Tax deductibility and compliance (pages 15-16)

Q 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?
A 15	We have no view on this as it should not affect payroll software or our messaging and payments processes
Q 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?
A 16	Yes – absolutely. As we have said, mistakes are made in payroll due to its complexity and the concept of self-reporting should be rewarded by not imposing penalties.
Q 17	What kind of prompts or nudges could be provided to employers to be aware of and meet their SG obligations on time?
A 17	We would suggest that a range of options be available to the employer. This would need to feature: • Email to employer– multiple recipients allowed for a business • SMS to employer – multiple recipients allowed for a business • Push message to ATO business portal • Payroll software may be able to provide and update the delivery addresses for these messages • Some payroll software could build reminders into their workflow engines However, if this is implemented there should be an option to turn it off. Once Payday super has been in operation for a while people will not want to be pestered to do things which have become routine
Q 18	Are there more appropriate incentives outside of the LPO to encourage employers to pay SG in a timely manner?
A 18	We do not have any suggestions outside the LPO

Compliance mechanisms (pages 14-21) continued

SG charge calculation (pages 16-18)

Q 19	Would changes to the SG charge be required to ensure the charge remains adequately punitive for non-compliant employers?
A 19	We think it is too inflexible in the current state. It does not really provide any latitude for genuine errors made by businesses with a good track record. It also does not allow for unexpected variations in cash flow and that happens in a lot of small businesses. If a large client of a business does not pay am invoice when it is due the business may (temporarily) not have the money to pay the super. It is no secret that the banks are not sympathetic to small business cash flow issues.
Q 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?
A 20	10 per cent is often more that most super funds are returning to their members.
Q 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?
A 21	We think 10% is adequate and as it is per annum it is already related to lateness
Q 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?
A 22	We think the current model is suitable for Payday super provided the reconciliation is done monthly.
Q 23	Should the amount of the administrative component of the charge be changed? If so, what is the appropriate amount, and why?
A 23	We think this should be changed to a charge per employee per month to match the reconciliation period. Assuming this is a cost recovery we cannot recommend a specific amount
Q 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?
A 24	There should be an initial period whereby the SG charge is not enforced except in cases where there are repeat transgressions. Payday super will have a very significant impact on most businesses. It will firstly require software changes and process changes of quite some significance. Secondly it will create a major cash flow impact on the huge number of businesses which pay super quarterly. The effect of bring super payments forward by up to 5 months cannot and should not be under-estimated.
Q 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)?
A 25	We do not believe that making the charge proportionate to the debt will have any effect apart from making the debt completely uncollectable.
Q 26	What should 'additional behavioural penalties' look like in a payday super model?
A 26	Nothing we can suggest

Compliance mechanisms (pages 14-21) continued

ATO flexibility in SG charge remission (pages 18-19)

Q 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?
A 27	No. Short-term circumstances can change dramatically in small businesses and a temporary shortfall in liquidity may change in a few weeks
Q 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?
A 28	The increase in the frequency of super payments is obviously going to have a number of impacts on employers. As we do not deal directly with employers, we are not really qualified to comment on this
Q 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.
A 29	These components should only be calculated on the shortfall
Q 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?
A 30	The increase in the frequency of super payments is obviously going to have a number of impacts on employers. As we do not deal directly with employers we are not really qualified to comment on this

Compliance mechanisms (pages 14-21) continued

Corrections and errors for superannuation funds (pages 19-20)

Q 31	Should employers be allowed to make 'catch-up' contributions due to errors?
A 31	Absolutely. Payroll is complex and in a lot of cases relies on input from employees. There is a lot of scope for human error to occur at all levels. One common circumstance is where an employee forgets to tell the employer that they have changed funds. The employer in good faith pays the old fund. It can take weeks for the fund to refund the unallocated money; then the employer must get the new fund details from the employee and pay the contributions to the new fund. There is absolutely no way that the employer should be penalised for this type of event – the funds should be penalised for the delay in issuing a refund. A further issue is employee inaccuracy such as providing an incorrect member number, We have said for years that the funds should provide a pre-lodge capability where employee details are sent prior to the money being paid and any errors are reported back to the employer before the funds are actually transferred.
Q 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?
A 32	End of each month to align with our suggestion for the ATO reconciliation period. To be 3 business days after end of month. This will provide the employer to do a reconciliation for all pay frequencies during each month.
Q 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?
A 33	We question whether errors need to be reported separately. In general, the error in super will have been caused by an error in the pay and both will be adjusted at the same time. As long as the monthly reconciliation shows the correct percentage of OTE accrued and paid is the error relevant?
Q 34	Is the 20 business day time period for superannuation funds to resolve errors appropriate in a payday super model?
A 34	It is not even appropriate in the current model and certainly must be improved before 2026.

Compliance mechanisms (pages 14-21) continued

Choice of fund, stapling and employee onboarding (pages 20-21

Q 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?
A 36	We have provided commentary on this section in response to this suggestion and the specific questions. NOTE, however, we have outlined an alternative which we believe will provide a more complete and accurate solution. See our Appendix A. There is definitely a need for employees to be able to identify which super funds they are registered with as members. This service would be useful if an employee could query the service to confirm their super fund details before giving the correct details to the employer when onboarding. It should be populated by the super funds for every member; details would include identifying the super fund, USI, member number and date last contribution received. This information would let the employee know: • what super funds they are registered with and have been contributing to over time • when the last contribution was made – allowing them to query an employer who may not be paying • identify multiple funds they are connected to and allow them to improve their benefits • find the information needed to tell their new employer It would not contain any financial details or employer identification. Just which funds they are registered with as a current member and last date contributions were received. The employer should not need to, nor be made to, query this service to get super details for a new employee. The choice of super fund is the employee's decision – not the employer's. If the employer must look up this service to get the stapled fund when onboarding (instead of getting the details from the employee directly), then they would have to look it up EVERY PAYRUN, in case the employee has changed their stapled fund and not told their employer. This is a great burden on the employer and the payroll system to do this. It is imperative that the link between employer and employee is maintained and not divided by access to a service providing information that may or may not be accurate or which may be confusing. What functionality would be required? Functionality should include access only by employees to their fund registration information with the facility for them to share that information with their employer. Employers should not have access to this information except through their employees.

	Would this address issues with data integrity under a payday super model? There would be no difference between current operation and Payday Super which is a function of frequency of payment – not fund registration and identification. <u>Should such a service be mandated?</u> Any mandate should be with the super funds to populate the service with their registered member details. And to keep this information up to date as onboarding and rollovers change the landscape for employees. There should be no mandate or requirement for employers to use this service. Since the pandemic, all employed people are used to accessing government services online. MyGov could have this as an extra query available to employees to see their details. They could download them and give them to their employer. This would be a valuable service. Giving employers access to employee super details on a third-party service is fraught with security access issues such as identification of the employer in relation to the employee – especially with a facility to download data belonging to one party by another party.
Q 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?
A 37	Putting the onus on the employer to maintain the service for their employees is a risk for the employer. What if they update incorrect information – who is to blame for contributions not going to the correct fund – or failing to be sent. Stapling is not a good solution. There are legitimate situations where an employee of multiple companies contributes to different super funds. Asking the employer to record and maintain stapling of super details is a burden they should not be required to perform. It is clear that if the employer was to provide this stapling service to their employees, then the employees are telling them the details to be stapled. This means there is communication between employer and employee and a third-party service is unnecessary.
Q 38	What are the costs and benefits of a ban on advertising super products during onboarding?
A 38	Onboarding for an employee with a new employer is often a stressful experience and we do not believe it is appropriate for advertising to be part of that process.

Other payday super issues

SG reporting frameworks (page 21)

Q 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?
A 39	Transaction based reporting is fraught with problems – if a transaction is not reported for any reason, then you can't match the two sources - ever. Year to date reporting allows for missed transactions which are then reflected in latest year to date totals as at a specific date. STP allows for these issues to be "caught up" with later reporting. SuperStream currently doesn't allow negative amounts – and these are essential in transaction-based reporting for adjustments and corrections in payroll systems. And negative amounts imply refunds which are a huge burden. Superannuation reporting is all about the payment which occurs on a date **received by the super funds** – not the date payment is sent by the employer. Payroll reporting is all about the reporting of super accruals as at a payrun date. Reconciling these two is problematic unless the payrun accrual date equals the payment received date and year to date totals for each are compared. Unfortunately, in the real world there are several issues with this "simple" solution: • Superannuation payments are processed **after** the payrun has been completed and posted – not before – in case there are any changes leading up to employee payday. The completion of the payrun is used to update the super accruals to that date. • If superannuation is paid AFTER the payrun date, then the super funds will receive the payment either same day (New Payments Platform instant payment processing) or after payrun date • There are real reasons for delays in processing payroll obligations. If the employer's payroll department reconciles super before paying and if it is managed by different people in the department, making the super payments same day as payday for employees may be difficult in practice. People take annual leave and sick leave and can't be there to process on time – substitute staff take longer or skip it until the usual person returns. Sometimes systems crash and people forget login details, delaying processing. This is the real world where things can't always be done on time, every time. Where payment dates are important, this makes matching difficult. • Any adjustments to super made after the payrun is processed, will require an update to STP processing as well as another super payment run (allowing negatives ?) – very messy. In STP, these adjustments will get reported in YTD STP figures next payrun (unless monthly pays). This works well in practice and would be useful in SuperStream as well. • Year end processing for year to date totals is problematic. If the last payrun for the year is close to 30th June and the super is paid/received by the fund in July, then the year to date totals as at payrun date (June) won't match the super

	received year to date as at the same date. The payment will be allocated to July year to date by the super funds. Regardless of the issues, matching by year to date totals provides a safer solution than transaction-based reporting.
Q 40	How could a smooth transition be managed if additional fields in reporting are made mandatory?
A 40	If matching is done using year to date figures, then STP requires no changes as accruals are recorded for financial year to date already. Super funds transaction-based reporting needs to be accumulated into financial year to date as at a reconciliation date (taking year end into account for correct year). This can be done by the ATO rather than requiring any changes by the super funds.
Q 41	Should a new unique identifier be included as a mandatory field in STP, SuperStream, and MATS which links employers, employees, and transactions?
A 41	Each STP submission has a unique submission ID – this could be recorded against each employee in SuperStream data to indicate the super payment was for super accruals as at that date. This would assist in matching end of year payments of super that occur in July – matching them to an STP submission for June. However, some large businesses run multiple payruns – multiple STP submissions – for different pay frequencies plus adjustment STP runs at end of year. Which YTD submission does the payment of super belong ? This concept of an identifier between STP and super payments won't work. It would be useful to flag a SuperStream remittance/payment as belonging to a financial year regardless of the date the payment is received (or sent). This would ensure YTD payments matched to YTD accruals would be accurate. It would also be necessary to ensure super payments always belonged to a period in the financial year nominated – and is not a payment for a period that straddles 30th June. In STP, the YTD figures always belong to a financial year regardless of when submitted. SuperStream remittances and payments would require the same discipline in reporting.
Q 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?
A 42	OTE reporting in STP is very complex with all the rules built into STP Phase 2 for what is included and what is excluded. It is an area that everyone struggles with and making it mandatory may cause more problems than it is worth.

Other payday super issues

SG contributions for the 2026-27 financial year (pages 21-22)

Q 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?
A 43	We are not informed enough on this issue to be able to comment

Other payday super issues

Maximum contribution base calculations

Q 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?
A 44	We are not qualified to comment on this question

Other payday super issues

Defined benefit members

Q 45	. Are there any other changes that will be required for defined benefit members?
A 45	We are not qualified to comment on this question

Other payday super issues

Self-managed superannuation funds

Q 46	Should there be any changes to the reporting frameworks for SMSFs and/or Defined Benefit funds to the ATO?
A 46	As with all SMSF issues this is difficult. Our understanding is that there are 4 software packages which do the accounting and reporting for the majority of SMSFs. If those packages were enabled to provide reporting to the ATO as contributions are received, they would provide a reliable and rich source of data. However, it would be incomplete as our experience is that there are quite a number of SMSFs doing their own reporting and accounting, often on spreadsheets. The NPP could provide the solution to this. If a code for an SMSF contribution was agreed on it could be attached to an SMSF payment via the NPP. This code could be allocated by the payroll software or by an intermediary. The allocation method would be simple. If the fund is not on the FVS at the due date of payment the NPP transaction would be tagged wit the SSMSF transaction code and the ABN of the SMSF. The ATO could ask the NPP for a transaction list for each month and use that to reconcile against the monthly accruals from STP
Q 47	Are there any other changes that will be required for self-managed superannuation fund members?
A 47	If the NPP solution above is considered viable there would be no additional reporting required from SMSFs or employers.

Other payday super issues

<u>Other issues</u>

Q 48	Are there any other impacts on stakeholders or considerations Government should consider in policy design?
A 48	Yes and these are described in our Appendix A
Q 49	What further changes would be required under the current rules to allow employers to meet payday super requirements?
Q 49	None that have not been covered elsewhere in this document or in Appendix A

APPENDIX A

SuperStream perspective

The SuperStream network was designed to simplify the process of paying employees' superannuation to their funds. At the time of design, the ATO estimated that there were about 10,000 different way for employers to make superannuation payments.

SuperStream was designed around a standard message format for employee contributions together with a closed network of SuperStream gateways which would deliver the messages to the superannuation funds. This SuperStream Transaction Network does not handle money – the payments were handled by the banking system. The data and the payment are both tagged with a unique identifier so the funds can match the data to the money received.

The data standard is called XBRL but for ease of implementation the ATO developed a simple CSV format called the SAFF.

As with all "standards" which are not rigorously enforced, variations of the data standard appeared, driven mostly by vested commercial interests.

For a variety of reasons, the payroll software industry did a minimalistic implementation of SuperStream in terms of outputting one of these data files and telling their clients to find a third-party service to process the file. This is not a criticism of the software industry – the simple fact is that various government initiatives and legislative instruments made it commercially unviable to provide a fully featured SuperStream capability. Superannuation is often paid by fund portals acting as clearing house or by clearing houses themselves or by the free Small Business Clearing House run by the ATO.

There is also an underlying trap for these text files. Some users will realise that the data is wrong and open the file in Excel. Excel does all sorts of things to data in a CSV file and when the user outputs the data to a CSV file again the data is trashed.

Due to the aforementioned commercial interests, the payroll software providers have often been required to provide various output formats for specific clients which completely defeats the initial concept of a standardised SuperStream network.

SuperStream security

The design of SuperStream, in separating the data from the money creates a high level of security around the interchange of large amounts of money. Any nefarious intent would have to defraud the SuperStream network and separately the banking system to avoid detection. The SuperStream network itself is a closed highly secure network with its small number of operators undergoing several security audits a year.

When the network was designed around 2009, data theft and privacy laws were both in their infancy. In 2023, data security and privacy breaches with identity theft seem to be regular headline material.

A number of our software developer clients have welcomed our new superannuation payments solution because it addresses two of their major security concerns.

The first is the data file. Whether it is the official SAFF file or one of the proprietary formats the issue is the same. Payroll software creates a text file which is output to disk and waits there for someone to upload it to a portal for processing. This file of course contains a lot of highly confidential information about employees and their superannuation and these files can be opened in any text editor like Notepad or Word. The alternative to the file output method is using an API like the ones provided by OZEDI which take the data from a payroll software, encrypt it and send it straight to our gateway for processing.

The second issue is the ABA file which is the standard text file format used to upload payment data to a banking website. While the contents of an ABA file for superannuation data only contains fund details, the ABA file for paying the staff contains personal data as well as the amounts everyone is being paid. We are able to stream that data in an encrypted format directly to our payment platform for processing.

Refunds

Refunds have been a problem since the very early days of SuperStream. Refunds can arise from:

- Employees not telling employer that they have changed funds
- Employees providing an incorrect USI or SMSF bank account details or member number at the fund
- Inadvertent overpayment of superannuation for an employee by wrongly allocating pay as OTE, etc.

Generally, what happens with this is that a fund receives money which it cannot allocate. It may attempt to contact the employer (this is a manual process), or it may just refund the money to the employer's bank account. The refund process has been known to take months in some cases. The employer than has do find the issue and process the employee's data and payment again. By that time the payment may be late so the SG charge kicks in which means the employer must pay the ATO the contribution and then get the fund to repay what is now a duplicate payment or else apply for the Late Payment Offset.

We have heard estimates from reliable sources that the number of refunds processed annually could be 5 million or more from July 2026 unless this issue is addressed comprehensively. That is an unacceptable cost to the employers, the funds and the economy.

The Refunds Solution

We have been discussing the solution to this issue for many years but no progress has been made. We believe there is a simple technical solution which could be developed which would resolve many of the issues causing refunds.

The concept is based on where the single source of truth lies which in our opinion is the superannuation fund and its register of member details. The employee (member) could also be regarded as being the single source of truth but they are not 100% reliable in terms of conveying those details to other parties The data required to process a superannuation contribution successfully is reliant on two data sets – the data provided by employees to their employer and the data for each member held by a fund. We believe mis-matches between these two disconnected data sets can be resolved as follows:

- The SuperStream data standards would be enhanced to include a new message type and response – leet's call it PL-CTR (pre-lodge contribution)
- The PL-CTR would be a small message generated by payroll software and sent to the funds via the SuperStream network a few days prior to processing a payday batch of superannuation contributions. The PL-CTR message need only contain enough data from the current CTR specification to identify and verify member details for each employee. The fund would then send back a response that all member details are correct with exceptions detailed separately and the correct data included in the response
- This process may need to take into account any imminent changes registered on the FVS
- Adopting this concept would greatly enhance the integrity and efficiency of superannuation payments generally

Ozedi suggestions

We have some suggestions to resolve the inefficiency and security of the current model as it has evolved.

- Encourage all software providers to transmit data in an encrypted data stream rather than outputting a text file to disk
- Make the SAFF file the only standard for the data – it is already supported by most payroll software so this will not be a major cost
- Develop some more stringent guidelines around the SAFF format. Our experience of receiving SAFF files from many different sources is that payroll software providers have different views on how CSV files should be constructed. This, again, should not be a major cost to the software producers which are already producing the SAFF file.
- Adopt the concept of PL-CTR validation of employer held data against fund held data prior to processing Payday super contributions
- Encourage the funds to get their systems operating in a closer to real-time processing rather than batch
- Make the NPP the only method of doing bank-to-bank fund transfers – do not allow BECS payments but provide for other solutions such as payment by credit card provided the payment times are met
- Mandate funds to provide an acknowledgement of a CTR from an employer