

File Name: 2015/25

18 September 2015

Senior Adviser
Contributions and Accumulation Unit
Personal and Retirement Income Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: sgcharge@treasury.gov.au

Dear Senior Adviser

RE: Simplifying and reducing the harshness of the superannuation guarantee charge

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this submission in relation to the exposure draft Superannuation Guarantee Legislation Amendment (Simplification) Bill 2015 (draft Bill).

About ASFA

ASFA is a non-profit, non-politically aligned national organisation. We are the peak policy and research body for the superannuation sector. Our mandate is to develop and advocate policy in the best long-term interest of fund members. Our membership, which includes corporate, public sector, industry and retail superannuation funds, plus self-managed superannuation funds and small APRA funds through its service provider membership, represent over 90 per cent of the 14 million Australians with superannuation.

General comments

ASFA understands the Government's initiative is to simplify and reduce the harshness of the Superannuation Guarantee Charge for employers and agrees that some of the penalties are, arguably, overly harsh. On the other hand, there is significant non-compliance with Superannuation Guarantee (SG) obligations contributing to poorer retirement outcomes for thousands of employees. It is obviously necessary to reach a balance between encouraging compliance while at the same time having appropriate penalties for non-compliance.

Accompanying this submission is a report prepared by Tria Investment Partners for CBUS, AustralianSuper and REST last year with contributions from ASFA, which highlights the very high level of SG non-compliance in Australia. The key findings of the report are:

- SG non-compliance is a \$2.5 billion per annum problem
- Around 650,000 Australians are affected by SG non-compliance annually – 6.5% of the workforce
- Australians affected by non-compliance lose an average of \$3,750 per annum in SG contributions – 9 months' worth for someone on average weekly earnings, more for low income earners

- For every year someone is affected by SG non-compliance, their retirement income (ex age-pension) is reduced by around 2% on average
- This is magnified for the low income and younger members most at risk; an average 25 year old impacted by SG non-compliance for 5 years loses 14% of their retirement income - \$8,000 per annum.
- By far the most significant source of SG non-compliance is employer non-compliance.

Clearly SG non-compliance is a significant problem.

The Australian National Audit Office (ANAO) issued a report in June 2015 *Promoting Compliance with Superannuation Guarantee Obligations*. That report also highlights the high level of non-compliance, identifies certain deficiencies within the ATO regarding promotion of compliance with SG obligations and makes recommendations for improvements. We support the recommendations made by the ANAO in its June report.

ASFA considers that the proposed changes contained in the *Superannuation Guarantee Legislation Amendment (Simplification) Bill 2015* should only be made if additional resources are provided to the Australian Taxation Office to detect breaches of SG obligations and to pursue associated required payments by employers.

The passing of this legislation should not be a signal to employers that the obligation to make SG payments has in some way diminished.

In this context we consider that it is essential that dealing with SG non-compliance be more highly prioritised within the ATO and that the relevant areas within the ATO be more appropriately funded.

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If you have any queries or comments in relation to the content of our submission, please contact Policy Adviser, David Graus, on (02) 8079 0837 or by email dgraus@superannuation.asn.au.

Yours sincerely



Glen McCrea
Chief Policy Officer