

# Payment Frequency

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**Opportunity**  
Incremental (more regular, periodic) SG payments would improve employer engagement with SG obligations and allow the ATO to take more timely action where non-compliance has occurred.

**Community of Users**



EMPLOYEE



EMPLOYERS



SUPER FUND/SMSF



INTERMEDIARIES



ATO

Current Experience

Future Experience

- Employees do not know if their employer is on track to meet their SG obligations until the quarterly period has ended
- There is a disconnect between the amount of super shown on their payslip each payday and the actual contribution of these amounts to their fund
- Employees lodge employee notifications (complaints) about unpaid and underpaid SG entitlements

- Employees have greater visibility of their employer's SG payments into their nominated super account (real-time)
- Greater alignment with information provided on payslip
- Greater confidence in the system

- Approx. 38% of employers make super payments more frequently than quarterly
- The introduction of STP reporting and technology advancements has seen an increase in the number of employers making more regular SG payments
- Prioritisation of other financial obligations ahead of SG obligations can result in financial difficulties (reduced cash flow) towards the end of each quarterly period
- SG obligations deferred until the end of the quarterly period can accrue to large amounts
- SG obligations are met if SG entitlements are paid to the SBSCH by the quarterly due date
- SG obligations are met if SG entitlements are paid to a commercial clearing house and allocated to the super fund by the quarterly due date
- There is no alignment of SG entitlements declared on payslips and SG payments made

- Digitisation of the payroll systems, regular reporting to the ATO and quicker and easier online platforms makes aligning SG with payroll easier.
- Less likely to accrue large quarterly bills and help manage cashflow.
- Employee remuneration paid in line with payroll cycles.
- Earlier ATO intervention where SG payments are not being made will support employers getting on track or helping them exit the system if cannot meet their obligations.

- There is a peak in processing requirements towards the end of each quarterly period, which impacts the timeliness of allocating entitlements to member accounts
- Funds have enforceable agreements with employers to pay more frequently than quarterly

- Reduces peaks in processing times so entitlements reach members' accounts sooner
- Greater investment of super savings

- Commercial clearing houses** – SG entitlements must be received by the super fund by the due date
- Commercial clearing houses, payroll providers, bookkeepers, tax and BAS agents** - there are peaks in processing requirements towards the end of each quarterly period
- Clearing houses** - unable to authenticate key data for SMSFs (Bank details and ESA) in a timely manner to process payments sooner and mitigate attempts to commit fraud

- Commercial clearing houses, payroll providers, bookkeepers, tax and BAS agents** – changes to software and processes to support employers to meet their SG obligations

- Limited intelligence about potential non-compliance until the quarterly period has concluded

- Proactive engagement and support to encourage compliance
- Support the ATO to intervene and provide support early, reduce number of large SG debts, and support exiting employer's early where they are not viable.
- Will require associated changes to the calculation of the SGC and lodgment of statements

## Policy costing: Payday Super

### Overview

#### Summary of proposal

The proposal would align the payment of superannuation guarantee contributions with wages from 1 July 2023. The original Superannuation Guarantee (Administration) Bill 1992 specified monthly obligations for employers, with SG payments to be made within 28 days of the end of the month. Amendments moved by Bob McMullan altered the monthly obligations to quarterly obligations, with payments to be made on 28 October, 28 January, 28 April, and 28 July.<sup>1</sup> However, many companies make payment more frequently than this, and the widespread use of accounting/payroll software and electronic fund transfers makes these provisions outdated.

#### Impact of proposal

Moving to payday super will involve a bring forward of contributions. This will have 3 effects:

1. There will be a bring-forward of contributions tax from the next financial year to the current financial year. The quantum of the bring-forward depends on: (a) the frequency distribution of current SG payments; (b) the PAYG instalments schedule for super funds.
2. There will be a bring-forward of company tax deductions from the next financial year to the current financial year. The quantum of the bring-forward depends on: (a) the frequency distribution of current SG payments; (b) the PAYG instalments schedule for business.
3. There will be higher earnings tax from the bring-forward in contributions. That is, new contributions will earn investment returns for a greater number of days in the financial year, thus producing higher fund earnings and hence earnings tax. This effect compounds over time.

In addition to these impacts, a movement to payday super will likely see a reduction in unpaid super because: (1) employees will have greater visibility of their superannuation contributions, leading to an increase in instances of non-compliance being raised with the ATO; (2) businesses will make less use of SG payments for cashflow management which can lead to non-compliance. This, in turn, will lead to: (1) an increase in contributions tax; (2) a smaller increase in company tax deductions since non-taxable firms are likely to be overrepresented in unpaid super claims; (2) higher earnings tax (effect compounds).

Further, there will be a reduction in Age Pension entitlements as individuals will retire with higher superannuation balances from: (1) higher lifetime investment earnings from earlier contributions (compounding); and (2) less instances of unpaid superannuation. This component has not been factored into the costing as most of the benefits accrue beyond the forward estimates, but the impact will be to improve the fiscal budget and grows over time due to the compounding nature of investments.

Table 1 below sets out the estimated fiscal cost, assuming a modest reduction in unpaid superannuation. Details on the methodology are set out further below.

Table 1: Financial implications

	2023-24	2024-25	2025-26	2026-27	Fwd. Est.
Superannuation tax (\$M)	309.1	70.1	76.7	74.2	530.1
Company tax (\$M)	-392.8	-43.2	-45.6	-35.8	-517.4
<b>Fiscal balance (\$M)</b>	<b>-83.7</b>	<b>26.9</b>	<b>31.1</b>	<b>38.3</b>	<b>12.6</b>

\* A positive number represents an increase in the relevant balance; a negative number represents a decrease.

<sup>1</sup> See page 3 of the Superannuation Guarantee (Administration) Bill 1992 [here](#), and amendments [here](#).

## Key assumptions

The costing is sensitive to the assumed reduction in unpaid superannuation. We have assumed a 15% increase in ATO compliance activity (from increased employee notifications) as the central case. This is a conservative assumption. Appendix B presents sensitive analysis from increasing or decreasing this assumption by 5 percentage points.

## Methodology

### Underlying data

The underlying data comes from Table 7A of the Companies Taxation Statistics. This provides detailed information on superannuation expenses, taxable income and whether the entities pay wages by firm size and taxation status; and is the most comprehensive data available outside of the public service.

- We first calculate superannuation expenses for firms with wages by multiplying total superannuation expenses by the proportion of firms with wage expenses (see 'TaxStats 7A' tab). We then grow this by the "Compensation of employees - Employers' social contributions" series from the National Accounts (up to June 2022) and then by RBA/Treasury wage forecasts to 2026-27, adjusted for legislated increases in the SG rate (see 'ABS NAs' tab). We calculate taxable income for firms with wages in a similar way and grow this by 5% per annum.

### Timing assumptions

The volume of concessional contributions to be brought forward is critical, as is the timing of when the contributions tax and company tax deductions associated with these contributions will be remitted to the ATO. Under the Tax Liability Method (TLM) of revenue recognition, the Commonwealth is deemed to have accrued revenue at the time a taxpayer makes a self-assessment or when an assessment of tax liability is raised by the Australian Taxation Office. In practice, this is dictated by whether the super fund (in the case of contributions tax) or business (in the case of company tax deductions) is in a monthly or quarterly PAYG instalments schedule.

In the case of contributions tax, almost all APRA regulated funds fall within the monthly PAYG instalments schedule, while most self-managed super funds (SMSFs) are in the quarterly PAYG instalments schedule. For the purposes of this costing, all APRA funds and all SMSFs are treated to be in these respective schedules and 94.6% of SG contributions are assumed to flow to APRA regulated funds.<sup>2</sup>

In the case of company tax deductions, firms with turnover of \$20 million or more are in the monthly BAS reporting schedule, while firms with turnover below \$20 million, above \$75,000 and who have not been advised to report monthly are in the quarterly BAS reporting schedule.<sup>3</sup> For the purposes of the costing, all micro, small and loss firms and one-third of medium-sized firms are assumed to be in the quarterly PAYG instalments schedule, and all large and very large firms and two-thirds of medium-sized firms are assumed to be in the quarterly PAYG instalments schedule.<sup>4</sup>

Firm size	PAYG instalments
Loss / Micro / Small	Quarterly
Medium	1/3 Quarterly, 2/3 Monthly
Large / Very Large	Monthly

In the case of earnings tax, 11-12ths of earnings tax is remitted to the ATO in-year for APRA funds and three-quarters for SMSFs.

<sup>2</sup> APRA Annual superannuation bulletin, June 2015 to June 2021.

<sup>3</sup> [https://www.ato.gov.au/business/business-activity-statements-\(bas\)/due-dates-for-lodging-and-paying-your-bas/](https://www.ato.gov.au/business/business-activity-statements-(bas)/due-dates-for-lodging-and-paying-your-bas/)

<sup>4</sup> See Table 7A of the 2018-19 Companies Taxation Statistics for size definitions.

The timing of the bring-forward of contributions tax and company tax deductions is also a function of the current frequency distribution of SG payments and thus the extent of the bring-forward. We use data provided by Treasury (through a Question on notice) on the current frequency of SG payments to estimate the quantum of contributions and deductions brought forward (see Table 2).

Table 2: Payment frequency for SG contribution amounts (2020-21)

Firm size	Weekly	Fortnightly	Monthly	Ad hoc	Quarterly
Government	0.9%	84.2%	12.8%	0.6%	1.4%
Personal taxes	1.1%	0.8%	61.1%	0.4%	36.6%
Large market	1.4%	18.6%	75.2%	0.4%	4.3%
Micro	2.5%	2.6%	37.9%	1.3%	55.8%
Not for profit	0.0%	22.6%	66.8%	3.9%	6.7%
Small-medium	1.2%	1.9%	67.2%	0.6%	29.2%
Unknown	0.5%	1.6%	36.1%	0.3%	61.5%
All	1.2%	26.1%	54.8%	1.0%	16.9%

\* The table is for the distribution of dollar amounts rather than entities.

\*\* Ad hoc/other is treated as 2-monthly on average for the purposes of this costing.

Source: Question on notice no. 130; 2021-22 Supplementary Budget Estimates; Economics Committee, Treasury.

Table 3 below sets out the timing assumptions used in the costing based on the current frequency of SG payments and firm size. The workings for these calculations are contained in Appendix A of this costing note and the 'Timing (TLM)' tab of the accompanying workbook.

Table 3: Timing assumptions

Firm category	Firm size	Timing			Earnings
		Quarterly >> Payday	2-Monthly >> Payday	Monthly >> Payday	
a. Loss / Nil	Less than/equal \$0	0.250	0.083	0.000	
b. Micro	\$1 - \$2M	0.250	0.083	0.000	
c. Small	\$2M - \$10M	0.250	0.083	0.000	
d. Medium	\$10M - \$100M	0.194	0.194	0.000	
e. Large	\$100M - \$250M	0.167	0.083	0.000	
f. Very large	\$250M+	0.167	0.083	0.000	
All ranges	-	0.194	0.194	0.000	
APRA	-	0.167	0.083	0.000	0.917
SMSFs	-	0.250	0.083	0.000	0.750

### Bring-forward of contributions

As set out in table 3, timing assumptions vary based on whether firms are currently making quarterly, 2-monthly or monthly contributions. The costing thus breaks-up the calculations for these components. The approach and calculations for each are the same (with only the timing assumptions varying) and are thus only presented for the case of 'quarterly to payday'.

- In the first year of the policy, there will be a 2-month bring-forward of contributions for APRA funds (cells G124:G160) and 3-month bring-forward for SMSFs (cells H124:H160). Additional contributions tax is equal to the proportion of contributions currently paid quarterly (cells E124:E160) multiplied by the proportion of contributions flowing to APRA and SMSFs (cells F124:F160 and the reciprocal) multiplied by the timing factors for each (cells G124:H160) multiplied by 15% tax rate. See column L.
  - In subsequent years, there is a 2-month and 3-month bring-forward of contributions in year t, less the 2-month and 3-month bring-forward of contributions in year t-1. See columns M-O.

- The company tax deduction will be the minimum of the firm's taxable income and the contributions to be brought forward. In the case of non-taxable firms, the deduction claimed is 0. The impact on revenue is the deductions claimed multiplied by the company tax rate (cells E170:E196) multiplied by the timing factors (cells F170:F196 and table 3 above). See column L.
  - It is assumed that 2/3 of medium-sized are base-rate entities (turnover below \$50 million) and have a tax rate of 25% and the remaining 1/3 have a tax rate of 30% (thus the 26.7% tax rate for this cohort).
  - As in the case for contributions tax, in subsequent years there is a bring-forward of deductions in year t less the bring-forward in year t-1. See columns M-O.
- There is a permanent bring-forward of contributions for firms currently paying less frequently than payday. A consequence of this is that new contributions earn a higher investment return for the year as they are invested for a greater proportion of the year. These higher investment earnings compound and grow each year (that is, the extra earnings in year t are reinvested and earn a return in years t+1, t+2 etc).
  - Unlike in components (1) and (2) above where the relevant contribution base is that portion of the annual contributions that are brought forward from the next financial year to the current, in this case, the relevant contribution base is all contributions for the year. That is, consider contributions relating to the period 1 July – 30 September that are currently paid on 28 October. The contributions tax and company tax deduction are claimed in the same financial under current policy and payday super, so don't form part of the cost relating to components (1) and (2) above. However, in the case of earnings tax, the 3 months of contributions paid on 28 October are invested for 245 days of the financial year and earn a return of  $(1 + r)^{245/365}$  for the year, whereas if contributed on payday, the contributions will be invested for an average of 315 days and earn a return of  $(1 + r)^{315/365}$ . This therefore forms part of component 3.
  - The contributions base is therefore given by total contributions for each firm type multiplied by the proportion of contributions currently paid quarterly (cells E124:E160) multiplied by (1-0.15) to account for taxation. This total is given in row 232. Further, the earnings compound over time and lead to a larger asset base which generates taxable earnings. This asset base is given in row 234 and is equal to the stock of extra investment earnings from previous years (multiplied by a full-year's crediting rate), plus the extra earnings from new contributions (row 233).
  - The extra investment earnings (row 233) are derived using a VBA function that compares the days compounded under quarterly contributions versus fortnightly contributions. This is stepped out in the 'Timing (EarningsTax)' tab. Cells F402 and O402 compare the investment earnings between quarterly and fortnightly contributions for \$8,500 net contributions. A different function is used for bi-monthly and monthly contributions, but the approach is the same. It is important to note here that the relevant investment earnings rate is the crediting rate (after fees and taxes) and not the taxable earnings rate, as the taxable earnings rate is calculated based on FUM and it is necessary to track growth in FUM (which includes realised and unrealised returns). The crediting rate is assumed to be 6.92% (cell C37).<sup>5</sup>
  - The taxable earnings rate is lower than the crediting rate because of unrealised earnings and other deductions. It is taxable earnings that generates revenue. The taxable earnings rate is assumed to be 3.5% (cell C38). This yields an effective tax rate of around 7.5% - the standard Treasury assumption (see MARIA documentation). Taxable earnings is given in row 235 and is equal to the stock of extra assets times a full-year taxable earnings rate plus the extra earnings on the flow of new contributions (given by the difference in the VBA function PV\_Quarterly and PV\_Fortnightly). This is then timed using time factors covered previously. As noted above, PV\_BiMonthly and PV\_Monthly functions are used for the other payment frequencies.

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<sup>5</sup> 6.92% is the standard ISA crediting-rate assumption for industry funds based on detailed analysis of SuperRatings and APRA net return data.

## Unpaid super

A movement to payday super will likely see a reduction in unpaid super because: (1) employees will have greater visibility of their superannuation contributions which will lead to more instances of non-compliance being raised with the ATO; (2) businesses will make less use of SG payments for cashflow management which can lead to non-compliance.

Estimating the impact on unpaid super ex ante is difficult. We consider two approaches:

1. An x% increase in ATO compliance outcomes from increased reporting to the ATO. The current level of the ATO's compliance activities (row 435) is sourced from the ATO superannuation gap estimates.<sup>6</sup> The assumed increase in ATO compliance outcomes is set in cell C42 and is assumed to be 15% in the central case. Sensitivity analysis is included in Appendix B.
2. An x% reduction in the volume of unpaid super from additional compliance activities and reduction in scope to use SG obligations to manage cashflows. The current annual volume of unpaid super (row 447) is sourced from ISA's *Super Scandalous* Report. The assumed reduction in the volume of unpaid super is set in cell C43, and a 5% reduction is included in the sensitivity analysis presented in Appendix B. Cell C44 is used to toggle between these two approaches, with approach 1 used in the central case.

Row 457 contains the aggregate increase in contributions from these two impacts. This is then decomposed in firm types. Paragraph 2.58 of the ANAO report into Addressing Superannuation Guarantee Non-Compliance contains a breakdown of non-compliance by firm size. Around 92% of businesses audited by the ATO were entities with turnover under \$10 million, 78% had 30 or fewer employees and 44% had 10 or fewer employees.

The Tax Stats firm sizes are based on taxable income rather than number of employees, so we assume micro businesses account for somewhere between 44% and 78% of cases and take the midpoint for simplicity, with the remaining 31% (of the 92%) allocated to small businesses. We then assume medium firms account for the bulk of the residual 8%. We further assume that non-taxable employers account for two-thirds of the unpaid super cases as employees super is often used to manage cashflows. Table 4 below sets out the assumed distribution of unpaid super by firm size and taxable status.

Table 4: Assumed distribution of unpaid super compliance by firm size and taxable status

Firm size	taxable	non-taxable	total
b. Micro	20%	41%	61%
c. Small	10%	21%	31%
d. Medium	2%	4%	6%
e. Large	0%	1%	1%
f. Very large	0%	1%	1%

We then model:

- Extra contributions tax on additional contributions
- Extra company tax deductions
- Earnings tax on the additional contributions (and stock of assets)

## Age Pension expenditure

There will be a reduction in Age Pension entitlements as individuals will retire with higher superannuation balances from: (1) higher lifetime investment earnings from earlier contributions (ie compounding); and (2) less instances of unpaid superannuation.

<sup>6</sup> Table 2, <https://www.ato.gov.au/about-ato/research-and-statistics/in-detail/tax-gap/superannuation-guarantee-gap/?anchor=Methodology1#Methodology1>

- ISA analysis suggests that, for an individual earning the age-based median wage, the effect of earlier compounding of moving from quarterly to fortnightly payments could be worth around \$8,000 in wage-adjusted terms at retirement. This could be expected to reduce lifetime Age Pension entitlements for an individual living to 92 by \$5,700 (in wage-deflated terms) and for a couple by \$6,800 combined (in wage-deflated terms).
- ISA analysis contained in the *Super Scandalous: How to fix the \$5 billion scourge of unpaid super* report suggests that the impact on balances of individuals who are unpaid their superannuation is significant (see figure 1).

Figure 1: Average super balance difference between those unpaid super and those not



Source: Chart 8, *Super Scandalous: How to fix the \$5 billion scourge of unpaid super*.

Lower Age Pension entitlements have not been factored into the costing as most of the benefits accrue beyond the forward estimates. However, the impact is expected to be sizeable and growing due to the compounding nature of investments.

### Data sources

2018-19 Taxation Statistics: Companies; Table 7A (Selected items, by taxable status, residency status, company type and company size).

Question on notice no. 130; 2021-22 Supplementary Budget Estimates; Economics Committee, Treasury Portfolio.

ABS National Accounts; National Income, Expenditure and Product, March 2022.

APRA Annual superannuation bulletin, June 2015 to June 2021.

Addressing Superannuation Guarantee Non-Compliance, Auditor-General Report No. 24 2021-22, Performance Audit, ANAO.

ATO Superannuation guarantee gap

*Super Scandalous: How to fix the \$5 billion scourge of unpaid super*, 2020, Industry Super Australia.

# Appendix A: Timing Assumptions (TLM)

## Lodgement dates

Super contributions 28 October, 28 January, 28 April, 28 July  
 SMSFs 21 October, 21 January, 21 April, 21 July  
 Quarterly BAS 28 October, 28 February, 28 April, 28 July

<https://www.ato.gov.au/business/super-for-employers/paying-super-contributions/super-payment-due-dates/>  
<https://www.ato.gov.au/Business/Reports-and-returns/Due-dates-for-lodging-and-paying/Due-dates-by-topic/Activity-statements/>  
<https://www.ato.gov.au/business/business-activity-statements-bas/due-dates-for-lodging-and-paying-your-bas/>

## A note on fortnightly wage payments

Wages are generally paid fortnightly, but taxes (either contributions tax for super funds or deductions against company tax) are remitted on either a month or quarterly basis depending on firm size. It will be the case that in some months there will be 3 fortnightly wage (and hence super) payments and in other months there will be 2. Which months will depend on the employer/employee pay cycles and will also vary from year to year. It is thus sufficient to model fortnightly pay cycles as monthly pay cycles because averaging across multiple firms and being year independent will mean, on average, that 1/12 of wages will be paid each month even under a fortnightly pay cycle.

### 1. Quarterly contributions

		2023-24												2024-25											
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Contributions	Current	0.25			0.25			0.25			0.25			0.25			0.25			0.25			0.25		
	Payday	0.33	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
APRA	Current		0.25			0.25			0.25			0.25			0.25			0.25			0.25			0.25	
	Payday		0.33	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
SMSF	Current	0.25			0.25			0.25			0.25			0.25			0.25			0.25			0.25		
	Payday	0.25			0.50			0.25			0.25			0.25			0.25			0.25			0.25		
Monthly BAS	Current		0.25			0.25			0.25			0.25			0.25			0.25			0.25			0.25	
	Payday		0.33	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
Quarterly BAS	Current	0.25			0.25			0.25			0.25			0.25			0.25			0.25			0.25		
	Payday	0.25			0.50			0.25			0.25			0.25			0.25			0.25			0.25		

### 2. 2-monthly contributions

		2023-24												2024-25											
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Contributions	Current	0.17			0.17			0.17			0.17			0.17			0.17			0.17			0.17		
	Payday	0.25	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
APRA	Current		0.17			0.17			0.17			0.17			0.17			0.17			0.17			0.17	
	Payday		0.25	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
SMSF	Current	0.17			0.33			0.17			0.33			0.17			0.33			0.17			0.33		
	Payday	0.17			0.42			0.17			0.25			0.25			0.25			0.17			0.33		
Monthly BAS	Current		0.17			0.17			0.17			0.17			0.17			0.17			0.17			0.17	
	Payday		0.25	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
Quarterly BAS	Current	0.17			0.33			0.17			0.33			0.17			0.33			0.17			0.33		
	Payday	0.17			0.42			0.25			0.25			0.25			0.25			0.17			0.33		

### 3. Monthly contributions

		2023-24												2024-25											
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Contributions	Current	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
	Payday	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
APRA	Current	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	
	Payday	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	
SMSF	Current	0.25			0.25			0.25			0.25			0.25			0.25			0.25			0.25		
	Payday	0.25			0.25			0.25			0.25			0.25			0.25			0.25			0.25		
Monthly BAS	Current	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	
	Payday	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	
Quarterly BAS	Current	0.25			0.25			0.25			0.25			0.25			0.25			0.25			0.25		
	Payday	0.25			0.25			0.25			0.25			0.25			0.25			0.25			0.25		

## NET IMPACTS

		2023-24		2023-24	
		[t-1]	[t]	[t-1]	[t]
Contributions	Current				
	Payday				
APRA	Current				
	Payday				
SMSF	Current				
	Payday				
Monthly BAS	Current				
	Payday				
Quarterly BAS	Current				
	Payday				

## CHECK

		2023-24		2023-24	
		[t-1]	[t]	[t-1]	[t]
Contributions	Current				
	Payday				
APRA	Current				
	Payday				
SMSF	Current				
	Payday				
Monthly BAS	Current				
	Payday				
Quarterly BAS	Current				
	Payday				

		2023-24		2023-24	
		[t-1]	[t]	[t-1]	[t]
Contributions	Current				
	Payday				
APRA	Current				
	Payday				
SMSF	Current				
	Payday				
Monthly BAS	Current				
	Payday				
Quarterly BAS	Current				
	Payday				

		2023-24		2023-24	
		[t-1]	[t]	[t-1]	[t]
Contributions	Current				
	Payday				
APRA	Current				
	Payday				
SMSF	Current				
	Payday				
Monthly BAS	Current				
	Payday				
Quarterly BAS	Current				
	Payday				

Note: Do not need to model this frequency  
 Due to monthly / quarterly BAS reporting, no difference for firms moving from monthly to fortnightly contributions

Contributions	Current				
	Payday				
APRA	Current				
	Payday				
SMSF	Current				
	Payday				
Monthly BAS	Current				
	Payday				
Quarterly BAS	Current				
	Payday				

See 'Timing (TLM)' tab of accompanying workbook



## Appendix B: Sensitivity analysis

As discussed earlier, the costing is sensitive to the assumed reduction in unpaid superannuation. The central case assumes a 15% increase in ATO compliance activity from increased employee notifications. In this section, we present fiscal costs from varying this assumption.

Table B.1: Fiscal cost, central case (15% increase in ATO compliance activities)

	2023-24	2024-25	2025-26	2026-27	Fwd. Est.
Superannuation tax (\$M)	309.1	70.1	76.7	74.2	530.1
Company tax (\$M)	-392.8	-43.2	-45.6	-35.8	-517.4
<b>Fiscal balance (\$M)</b>	<b>-83.7</b>	<b>26.9</b>	<b>31.1</b>	<b>38.3</b>	<b>12.6</b>

\* A positive number represents an increase in the relevant balance; a negative number represents a decrease.

Table B.2: Fiscal cost under different assumptions for ATO compliance activities

	2023-24	2024-25	2025-26	2026-27	Fwd. Est.
<b>Lower compliance activities</b>					
5% increase	-94.3	15.8	18.5	24.4	-35.7
10% increase	-89.0	21.4	24.8	31.3	-11.5
<b>Higher compliance activities</b>					
20% increase	-78.4	32.5	37.4	45.3	36.8
25% increase	-73.1	38.0	43.8	52.3	61.0

Table B.3: Fiscal cost under different assumptions for reduction in unpaid superannuation volumes

	2023-24	2024-25	2025-26	2026-27	Fwd. Est.
<b>2.5% reduction</b>	-89.6	20.2	23.1	29.3	-17.1
<b>5.0% reduction</b>	-79.6	30.3	34.0	41.2	25.8
<b>7.5% reduction</b>	-69.5	40.3	44.9	53.1	68.7

## SUMMARY

	2022-23	2023-24	2024-25	2025-26	2026-27	Fwd. Est.
<b>Superannuation tax (\$M)</b>		<b>309.1</b>	<b>70.1</b>	<b>76.7</b>	<b>74.2</b>	<b>530.1</b>
1A Contributions tax (quarterly to payday)		261.3	16.8	17.7	10.4	306.1
2A Contributions tax (2-monthly to payday)		4.1	0.3	0.3	0.2	4.8
3A Contributions tax (monthly to payday)		-	-	-	-	0.0
4A Contributions tax (unpaid super)		29.0	33.8	36.0	37.3	136.1
1C Earnings tax (quarterly to payday)		8.3	10.3	11.6	12.8	42.9
2C Earnings tax (2-monthly to payday)		0.1	0.1	0.2	0.2	0.6
3C Earnings tax (monthly to payday)		5.8	7.2	8.1	8.9	30.0
4C Earnings tax (unpaid super)		0.5	1.6	3.0	4.5	9.6
<b>Company tax (\$M)</b>		<b>-392.8</b>	<b>-43.2</b>	<b>-45.6</b>	<b>-35.8</b>	<b>-517.4</b>
1B Company tax (quarterly to payday)		-373.1	-24.0	-25.3	-14.8	-437.2
2B Company tax (2-monthly to payday)		-6.1	-0.4	-0.4	-0.2	-7.2
3B Company tax (monthly to payday)		-	-	-	-	0.0
4B Company tax (unpaid super)		-13.6	-18.8	-20.0	-20.8	-73.1
<b>Fiscal balance (\$M)</b>		<b>-83.7</b>	<b>26.9</b>	<b>31.1</b>	<b>38.3</b>	<b>12.6</b>

\* A positive number represents an increase in the relevant balance; a negative number represents a decrease

## ASSUMPTIONS

### GENERIC TIMING

See 'Timing (TLM)' for bring-forward timing

	APRA	In-Year
Monthly	95%	92%
Quarterly	5%	75%
Mix		83%

### EARNINGS TAX

#### Returns

Crediting rate:	6.92%
Taxable earnings rate:	3.50%

### UNPAID SUPER

#### Reduction in unpaid super from Payday super

Approach 1:	15.0%	increase in ATO compliance activities from increased employee notifications
Approach 2:	5.0%	reduction in unpaid super from employers not using SG for cashflow management
Use approach	1	

#### Apportioning unpaid super to firms

	taxable	non-taxable	total
b Micro	20%	41%	61%
c Small	10%	21%	31%
d Medium	2%	4%	6%
e Large	0%	1%	1%
f Very large	0%	1%	1%
		100%	100%

## TAX STATS

### A. SUPERANNUATION EXPENSES FOR FIRMS WITH WAGES

### B. TAXABLE INCOME FOR FIRMS WITH WAGES

## 1. QUARTERLY TO PAYDAY

### 1A. CONTRIBUTIONS TAX

### 1B. COMPANY TAX

### 1C. EARNINGS TAX

## 2. 2-MONTHLY TO PAYDAY

### 2A. CONTRIBUTIONS TAX

### 2B. COMPANY TAX

### 2C. EARNINGS TAX

## 3. MONTHLY TO PAYDAY

### 3A. CONTRIBUTIONS TAX

### 3B. COMPANY TAX

### 3C. EARNINGS TAX

## 4. UNPAID SUPER

### 4A. CONTRIBUTIONS TAX

### 4B. COMPANY TAX

### 4C. EARNINGS TAX

## 5. AGE PENSION

### **CENTRAL CASE**

	2023-24	2024-25	2025-26	2026-27	Fwd. Est.
Superannuation tax (\$M)	309.1	70.1	76.7	74.2	530.1
Company tax (\$M)	-392.8	-43.2	-45.6	-35.8	-517.4
<b>Fiscal balance (\$M)</b>	<b>-83.7</b>	<b>26.9</b>	<b>31.1</b>	<b>38.3</b>	<b>12.6</b>

\* A positive number represents an increase in the relevant balance; a negative number represents a decrease.

### **FISCAL COST UNDER DIFFERENT ASSUMPTIONS FOR ATO COMPLIANCE ACTIVITIES**

	2023-24	2024-25	2025-26	2026-27	Fwd. Est.
<b>Lower compliance activities</b>					
5% increase	-94.3	15.8	18.5	24.4	-35.7
10% increase	-89.0	21.4	24.8	31.3	-11.5
<b>Higher compliance activities</b>					
20% increase	-78.4	32.5	37.4	45.3	36.8
25% increase	-73.1	38.0	43.8	52.3	61.0

### **FISCAL COST UNDER DIFFERENT ASSUMPTIONS FOR REDUCTION IN UNPAID SUPERANNUATION VOLUMES**

	2023-24	2024-25	2025-26	2026-27	Fwd. Est.
<b>2.5% reduction</b>	-89.6	20.2	23.1	29.3	-17.1
<b>5.0% reduction</b>	-79.6	30.3	34.0	41.2	25.8
<b>7.5% reduction</b>	-69.5	40.3	44.9	53.1	68.7

## Tax Liability Method

- Under the TLM method of revenue recognition, the Commonwealth is deemed to have accrued revenue at the time a taxpayer makes a self-assessment or when an assessment of tax liability is raised by the Australian Taxation Office.

## 1. Contributions Tax

### APRA regulated funds

- Most APRA regulated under fall within the monthly PAYGI system
- The liability for contributions tax accrues in the month that the contribution is received by the superfund. Superfunds that fall within the monthly PAYGI regime will pay the monthly instalment to the ATO in the month following the liability arising. It is at this point, under the TLM, that revenue is recognised. Eg: Super Fund receives \$1m contributions in January. In February, the Super Fund lodges its January BAS declaring the \$1m contributions received in January and pays 15% tax on the \$1m contributions that were received in January. Revenue is recognised in February.

### SMSFs

- Most SMSFs are in the quarterly PAYG system. These payments are generally due by the third week of the month following a financial quarter. (<https://www.thesmsfclub.com.au/smsf-trustee-obligations-2/>)
- Under TLM, revenue recognised when quarterly PAYG instalment is made.

### Annual wash-up

- The annual wash-up should only capture contributions tax for payments received by a super fund in a financial year where the contributions tax was not already paid as part of the monthly/quarterly PAYG instalment process. That is, this would largely be rectifying errors of overlooked amounts already received.

## 2. Tax Deduction

- Companies claim deductions for super contributions when the contribution is paid. Under TLM, revenue (and hence deduction) will be recognised when the business remits tax or when the ATO makes an assessment. As an example, if 3 months' worth of April-June 2020 contributions are to be paid on 28 July, the contributions paid in July will be claimed in the July BAS, which will reduce the liability for the instalment to be paid in August w.r.t monthly installments and October w.r.t quarterly installments. If contributions are brought forward to April, this will be claimed in May w.r.t monthly installments and July w.r.t quarterly installments.

### BAS reporting

- Monthly – if GST turnover is \$20 million or more.
- Quarterly – if GST turnover is less than \$20 million (and ATO have not advised to report)
- Annually – if voluntarily registered for GST and GST turnover is under \$75,000 (\$150,000 for not-

Firm size	Tax rate	PAYG instalments
Nil / Micro / Small	25.0%	Quarterly
Medium	26.7%	1/3 Quarterly, 2/3 Monthly
Large / Very Large	30.0%	Monthly

Medium: \$10M -	\$50M	\$20M
	2/3: \$10-\$50	1/3: \$10-\$20
	1/3: \$50-\$100	2/3: \$20-\$100

Firm category	Tax rate	Timing			Earnings
		Quarterly >> Payday	2-Monthly >> Payday	Monthly >> Payday	
a. Loss / Nil	25.0%	0.250	0.083	0.000	
b. Micro	25.0%	0.250	0.083	0.000	
c. Small	25.0%	0.250	0.083	0.000	
d. Medium	26.7%	0.194	0.194	0.000	
e. Large	30.0%	0.167	0.083	0.000	
f. Very large	30.0%	0.167	0.083	0.000	
All ranges	26.7%	0.194	0.194	0.000	
APRA	15.0%	0.167	0.083	0.000	0.917
SMSFs	15.0%	0.250	0.083	0.000	0.750







Mon 11-Apr-22 Tue 12-Apr-22 Wed 13-Apr-22 Thu 14-Apr-22	3846.15																326.92	77	331.57	
Fri 15-Apr-22 Sat 16-Apr-22 Sun 17-Apr-22 Mon 18-Apr-22 Tue 19-Apr-22 Wed 20-Apr-22 Thu 21-Apr-22 Fri 22-Apr-22 Sat 23-Apr-22 Sun 24-Apr-22 Mon 25-Apr-22 Tue 26-Apr-22 Wed 27-Apr-22																				
<b>Thu 28-Apr-22</b>	<< 3846.15	2125.00	63	2149.68													326.92	63	330.72	
Fri 29-Apr-22 Sat 30-Apr-22 Sun 1-May-22 Mon 2-May-22 Tue 3-May-22 Wed 4-May-22 Thu 5-May-22 Fri 6-May-22 Sat 7-May-22 Sun 8-May-22 Mon 9-May-22 Tue 10-May-22 Wed 11-May-22 Thu 12-May-22																				
Fri 13-May-22 Sat 14-May-22 Sun 15-May-22 Mon 16-May-22 Tue 17-May-22 Wed 18-May-22 Thu 19-May-22 Fri 20-May-22 Sat 21-May-22 Sun 22-May-22 Mon 23-May-22 Tue 24-May-22 Wed 25-May-22 Thu 26-May-22	3846.15																326.92	49	329.87	
Fri 27-May-22 Sat 28-May-22 Sun 29-May-22 Mon 30-May-22 Tue 31-May-22 Wed 1-Jun-22 Thu 2-Jun-22 Fri 3-Jun-22 Sat 4-Jun-22 Sun 5-Jun-22 Mon 6-Jun-22 Tue 7-Jun-22 Wed 8-Jun-22 Thu 9-Jun-22																				
Fri 10-Jun-22 Sat 11-Jun-22 Sun 12-Jun-22 Mon 13-Jun-22 Tue 14-Jun-22 Wed 15-Jun-22 Thu 16-Jun-22 Fri 17-Jun-22 Sat 18-Jun-22 Sun 19-Jun-22 Mon 20-Jun-22 Tue 21-Jun-22 Wed 22-Jun-22 Thu 23-Jun-22	3846.15																326.92	21	328.18	
Fri 24-Jun-22 Sat 25-Jun-22 Sun 26-Jun-22 Mon 27-Jun-22 Tue 28-Jun-22 Wed 29-Jun-22																				
<b>Thu 30-Jun-22</b>					1416.67	0	1416.67	708.33	0	708.33										
Fri 1-Jul-22 Sat 2-Jul-22 Sun 3-Jul-22 Mon 4-Jul-22 Tue 5-Jul-22 Wed 6-Jul-22 Thu 7-Jul-22 Fri 8-Jul-22 Sat 9-Jul-22 Sun 10-Jul-22 Mon 11-Jul-22 Tue 12-Jul-22 Wed 13-Jul-22 Thu 14-Jul-22 Fri 15-Jul-22 Sat 16-Jul-22 Sun 17-Jul-22 Mon 18-Jul-22 Tue 19-Jul-22 Wed 20-Jul-22 Thu 21-Jul-22 Fri 22-Jul-22 Sat 23-Jul-22 Sun 24-Jul-22 Mon 25-Jul-22 Tue 26-Jul-22 Wed 27-Jul-22																				
<b>Thu 28-Jul-22</b>	<<	2125.00	-28	2114.12																
Fri 29-Jul-22 Sat 30-Jul-22																				
<b>SERIES CHECK</b>		4	4	4	6	6	6	12	12	12	26	26	26							
<b>MANUAL</b>		8 500.00	8 671.86	8 500.00	8 740.94	8 500.00	8 765.19	8 500.00	8 790.00											
<b>MANUAL</b>			8,671.86		8,740.94		8,765.19		8,790.00											



Taxation statistics 2018–19 Companies: Selected items, by tax

Taxable status	Residency status <sup>4</sup>	Company type <sup>5</sup>	Company size, by total income <sup>6</sup>	HERE	HERE	HERE	HERE	HERE	HERE	HERE	HERE	HERE	DERIVED QUANTITIES
				Number of companies no.	Superannuation expenses no.	Superannuation expenses \$	Taxable Income or Loss no.	Taxable Income or Loss \$	Total salary and wage expenses no.	Total salary and wage expenses \$	Net tax \$	Super expenses for firms with wages [\$M]	
a. Taxable	a. Resident	a. Private	a. Loss / Nil	12	9	159 235	10	186 011 7 6	12	915 735	53 10 097	0	5
a. Taxable	a. Resident	a. Private	b. Micro	3 7 610	158 955	3 7 602 600	3 7 588	39 23 60 08	15 277	26 211 55 082	9 379 955 22	3 3 6	17 13
a. Taxable	a. Resident	a. Private	c. Small	9 782	0 715	2 7 5 7 7 927	9 776	3 391 101 590	37 023	3 771 316 87	7 983 086 0 8	3 0	25 563
a. Taxable	a. Resident	a. Private	d. Medium	13 536	11 17	0 60 110 16	13 536	39 186 375 8 8	10 97	97 676 229	9 15 652 0 0	3 766	30 389
a. Taxable	a. Resident	a. Private	e. Large	78	665	1 119 797 919	78	10 021 92 158	6 7	13 3 7 01 33	2 500 278 6 9	1 089	8 270
a. Taxable	a. Resident	a. Private	f. Very large	328	287	1 909 789 065	328	17 885 00 3 3	292	2 588 620 909	851 208 673	1 910	15 922
a. Taxable	a. Resident	b. Public	Loss / Micro	1 006	391	13 356 827	1 006	1 1 131 761	377	129 071 86	6 059 971	13	53
a. Taxable	a. Resident	b. Public	c. Small	522	393	51 779 278	521	485 003 187	389	578 062 668	179 293 715	50	99
a. Taxable	a. Resident	b. Public	d. Medium	990	839	580 160 512	990	6 273 258 6 0	862	6 803 5 4 278	1 5 3 1188 792	580	5 62
a. Taxable	a. Resident	b. Public	e. Large	352	323	735 363 002	352	6 727 850 573	328	9 120 387 881	1 6 3 59 695	735	6 269
a. Taxable	a. Resident	b. Public	f. Very large	577	5	11 9 366 3 0	577	189 372 76 5 9	557	135 021 190 357	8 2 6 550 126	11 9	182 809
a. Taxable	a. Resident	c. Other <sup>7</sup>	All ranges	27 850	880	87 739 0 3	27 8 9	756 257 125	797	937 26 783	208 583 135	79	22
a. Taxable	b. Non-resident <sup>8</sup>	All Types	All ranges	1 662	16	201 599 980	1 662	7 2 3 583 270	7	2 836 01 01	2 093 87 507	202	1 925
b. Non-taxable	a. Resident	a. Private	a. Loss / Nil	121 201	1 16	9 298 651	61 7 1	-1 71 997 25	1 319	82 7 4 225	0	9	0
b. Non-taxable	a. Resident	a. Private	b. Micro	388 35	169 337	2 715 316 05	250 29	-9 567 00 689	177 3 6	23 36 81 316	0	2 715	0
b. Non-taxable	a. Resident	a. Private	c. Small	21 327	17 271	1 602 783 88	1 566	-2 61 301 88	15 7 8	16 183 986 620	0	1 61	0
b. Non-taxable	a. Resident	a. Private	d. Medium	503	3 579	1 521 150 89	3 196	-2 007 365 01	3 378	17 308 75 016	0	1 36	0
b. Non-taxable	a. Resident	a. Private	e. Large	292	235	76 307 108	213	-1 13 999 338	2 5	6 005 828 733	0	76	0
b. Non-taxable	a. Resident	a. Private	f. Very large	157	13	1 031 066 137	159	-1 097 129 885	136	1 107 192 873	0	1 031	0
b. Non-taxable	a. Resident	b. Public	a. Loss / Nil	730	30	683 930	20	-368 55 517	33	10 695 65	0	1	0
b. Non-taxable	a. Resident	b. Public	b. Micro	2 701	1 310	62 569 776	2 125	-2 572 382 695	1 255	633 50 276	0	60	0
b. Non-taxable	a. Resident	b. Public	c. Small	725	569	83 67 735	530	-879 868 565	568	967 123 727	0	8	0
b. Non-taxable	a. Resident	b. Public	d. Medium	813	683	97 671 800	590	-2 679 99 77	692	6 21 219 160	0	98	0
b. Non-taxable	a. Resident	b. Public	e. Large	19	175	88 267 817	1 7	-3 021 2 4 7 5	175	5 903 676 735	0	88	0
b. Non-taxable	a. Resident	b. Public	f. Very large	2 7	22	3 18 4 1 552	191	-7 169 73 60	230	37 818 723 33	0	3 185	0
b. Non-taxable	a. Resident	c. Other <sup>7</sup>	All ranges	51 110	981	83 712 860	3 372	-199 867 856	935	838 868 6 2	0	80	0
b. Non-taxable	b. Non-resident <sup>8</sup>	All Types	All ranges	1 6 0	3 6	88 327 890	97	-1 83 205 811	373	1 056 731 952	0	88	0

The company size definitions are as follows:

Size	Total income
Loss/N I	Less than or equal to \$0
Micro	\$1 to less than \$2 million
Small	\$2 million to less than \$10 million
Medium	\$10 million to less than \$100 million
Large	\$100 million to less than \$250 million
Very large	\$250 million or more

Table 9: SG amounts paid (\$) 2020-2021 FY

Segment	Weekly	Fortnightly	Monthly	Quarterly	Ad hoc / other	Unknown	Total
GOV - Government	135 424 687	12 001 375 646	1 831 143 186	202 994 010	89 186 343		14 260 123 871
INB - Personal Taxes	217 887	156 186	11 669 495	6 996 179	71 738		19 111 485
LGE - Large Market	280 996 132	3 691 743 735	14 921 597 092	853 005 884	87 405 199		19 834 748 041
MIC - Micro Businesses	201 770 677	207 622 773	3 059 015 666	4 506 465 655	103 861 768		8 078 746 540
NFP - Not for Profit	3 458 934	1 781 341 811	5 261 606 646	529 054 312	303 994 443		7 879 496 146
SME - Small to Medium Enterprises	221 426 141	352 714 598	12 737 924 662	5 541 137 197	112 330 045		18 965 532 642
Unknown*	134 925	451 551	9 909 471	6 904 912	81 300	3 221 617 654	3 249 099 813
<b>Total</b>	<b>843,469,383</b>	<b>18,035,416,300</b>	<b>37,832,866,217</b>	<b>11,656,558,150</b>	<b>696,930,835</b>	<b>3,221,617,654</b>	<b>72,286,858,539</b>
INB - MIC	201 988 564	207 788 959	3 070 685 161	4 513 461 834	103 933 506		

Firm size	Weekly	Fortnightly	Monthly	Ad hoc	Quarterly
<b>Government</b>	0.9%	84.2%	12.8%	0.6%	1.4%
<b>Personal taxes</b>	1.1%	0.8%	61.1%	0.4%	36.6%
<b>Large market</b>	1.4%	16.6%	75.2%	0.4%	4.3%
<b>Micro</b>	2.5%	2.6%	37.9%	1.3%	55.8%
<b>Not for profit</b>	0.0%	22.6%	66.8%	3.9%	6.7%
<b>Small-medium</b>	1.2%	1.9%	67.2%	0.6%	29.2%
<b>Unknown</b>	0.5%	1.6%	36.1%	0.3%	61.5%
<b>AI</b>	1.2%	26.1%	54.8%	1.0%	16.9%
<b>Micro + Personal</b>	2.5%	2.6%	37.9%	1.3%	55.7%

Firm characteristics			Mapping	Monthly	2-Monthly	Quarterly
a. Taxable	a. Resident	a. Private	a. Loss/nil	All	54.8%	1.0%
a. Taxable	a. Resident	a. Private	b. Micro	Micro	37.9%	1.3%
a. Taxable	a. Resident	a. Private	c. Small	Small-medium	67.2%	0.6%
a. Taxable	a. Resident	a. Private	d. Medium	Small-medium	67.2%	0.6%
a. Taxable	a. Resident	a. Private	e. Large	Large market	75.2%	0.4%
a. Taxable	a. Resident	a. Private	f. Very large	Large market	75.2%	0.4%
a. Taxable	a. Resident	b. Pub ic	a. Loss/nil	All	54.8%	1.0%
a. Taxable	a. Resident	b. Pub ic	c. Small	Small-medium	67.2%	0.6%
a. Taxable	a. Resident	b. Pub ic	d. Medium	Small-medium	67.2%	0.6%
a. Taxable	a. Resident	b. Public	e. Large	Large market	75.2%	0.4%
a. Taxable	a. Resident	b. Public	f. Very large	Large market	75.2%	0.4%
a. Taxable	a. Resident	c. Other	g. All ranges	Not for profit	66.8%	3.9%
a. Taxable	b. Non-resident	d. All types	g. All ranges	All	54.8%	1.0%
b. Non-taxable	a. Resident	a. Private	a. Loss/nil	All	54.8%	1.0%
b. Non-taxable	a. Resident	a. Private	b. Micro	Micro	37.9%	1.3%
b. Non-taxable	a. Resident	a. Private	c. Small	Small-medium	67.2%	0.6%
b. Non-taxable	a. Resident	a. Private	d. Medium	Small-medium	67.2%	0.6%
b. Non-taxable	a. Resident	a. Private	e. Large	Large market	75.2%	0.4%
b. Non-taxable	a. Resident	b. Public	a. Loss/nil	All	54.8%	1.0%
b. Non-taxable	a. Resident	b. Public	b. Micro	Micro	37.9%	1.3%
b. Non-taxable	a. Resident	b. Pub ic	c. Small	Small-medium	67.2%	0.6%
b. Non-taxable	a. Resident	b. Pub ic	d. Medium	Small-medium	67.2%	0.6%
b. Non-taxable	a. Resident	b. Pub ic	e. Large	Large market	75.2%	0.4%
b. Non-taxable	a. Resident	b. Public	f. Very large	Large market	75.2%	0.4%
b. Non-taxable	a. Resident	c. Other	g. All ranges	Not for profit	66.8%	3.9%
b. Non-taxable	b. Non-resident	d. All types	g. All ranges	All	54.8%	1.0%

Unit	Compensation of employees - Wages and salaries ; \$ Millions	Compensation of employees - Employers' social contributions ; \$ Millions	Compensation of employees ; \$ Millions
Series Type	Seasonally Adjusted	Seasonally Adjusted	Seasonally Adjusted
Data Type	DERIVED	DERIVED	DERIVED
Frequency	Quarter	Quarter	Quarter
Collection Month	3	3	3
Series Start	Sep-1983	Sep-1983	Sep-1959
Series End	Mar-2022	Mar-2022	Mar-2022
No. Obs	155	155	251
Series ID	A2303355A	A2303357F	A2303359K
Sep-2018	201296	23759	225055
Dec-2018	203446	24035	227481
Mar-2019	206707	24519	231227
Jun-2019	209582	24974	234556
Sep-2019	211762	25385	237147
Dec-2019	213686	25690	239375
Mar-2020	215085	25983	241068
Jun-2020	210768	25631	236399
Sep-2020	215201	26105	241306
Dec-2020	218062	26394	244456
Mar-2021	221575	26720	248295
Jun-2021	224223	26971	251194
Sep-2021	224597	27741	252338
Dec-2021	229060	28235	257295
Mar-2022	233198	28735	261932
Jun-2022	237411	29244	266653

Levels	CoE (wages)	CoE (emp conts.)	CoE
2018-19	821031	97287	918319
2019-20	851301	102689	953989
2020-21	879061	106190	985251
2021-22	924266	113955	1038218
2022-23	954767	121271	1076037
2023-24	990093	129444	1119537
2024-25	1024746	137785	1162531
2025-26	1060612	146546	1207158
2026-27	1097734	151675	1249409

% getting higher SG 73.0%

Growth	CoE (wages)	CoE (emp conts.)	CoE
2018-19	-	-	-
2019-20	3.7%	5.6%	3.9%
2020-21	3.3%	3.4%	3.3%
2021-22	5.1%	7.3%	5.4%
2022-23	3.3%	6.4%	3.6%
2023-24	3.7%	6.7%	4.0%
2024-25	3.5%	6.4%	3.8%
2025-26	3.5%	6.4%	3.8%
2026-27	3.5%	3.5%	3.5%

SG Rate	Wage	Remuneration	
9.50%			
9.50%			
9.50%	1.0000	1.095	
10.00%	1.0514	1.157	
10.50%	1.0861	1.200	3.8%
11.00%	1.1263	1.250	4.2%
11.50%	1.1657	1.300	4.0%
12.00%	1.2065	1.351	4.0%
12.00%	1.2488	1.399	3.5%

Index	CoE (wages)	CoE (emp conts.)	CoE
2018-19	1.0000	1.0000	1.0000
2019-20	1.0369	1.0555	1.0388
2020-21	1.0707	1.0915	1.0729
2021-22	1.1257	1.1713	1.1306
2022-23	1.1629	1.2465	1.1717
2023-24	1.2059	1.3305	1.2191
2024-25	1.2481	1.4163	1.2659
2025-26	1.2918	1.5063	1.3145
2026-27	1.3370	1.5590	1.3605



	PRIMARY PALETTE			SECONDARY PALETTE				
--	-----------------	--	--	-------------------	--	--	--	--

<b>Base</b>	#0087AE	#EEDC00	#80C4D7	#00BFB3	#FFB81C	#D592AA	#7C7FAB	#797979
-------------	---------	---------	---------	---------	---------	---------	---------	---------

**Shade** Note : Use tints and shades in 20% increments first

- 60%	#99CFDF	#F8F199	#CCE7EF	#99E5E1	#FFE3A4	#EED3DD	#CBCDD	#C9C9C9
- 50%	#80C3D7	#F7EE80	#C0E2EB	#80DFD9	#FFDC8E	#EAC9D5	#BEBFD5	#BCBCBC
- 40%	#66B7CE	#F5EA66	#B3DCE7	#66D9D1	#FFD477	#E6BECC	#B0B2CD	#AFAFAF
- 30%	#4DABC6	#F3E74D	#A6D6E3	#4DD2CA	#FFCD60	#E2B3C4	#A3A5C4	#A1A1A1
- 20%	#339FBE	#F1E333	#99D0DF	#33CCC2	#FFC649	#DDA8BB	#9699BC	#949494
- 10%	#1A93B6	#F0E01A	#8DCADB	#1AC5BB	#FFBF33	#D99DB3	#898CB3	#868686
-	#0087AE	#EEDC00	#80C4D7	#00BFB3	#FFB81C	#D592AA	#7C7FAB	#797979
+ 10%	#007A9D	#D6C600	#73B0C2	#00ACA1	#E6A619	#C08399	#70729A	#6D6D6D
+ 20%	#006C8B	#BEB000	#669DAC	#00998F	#CC9316	#AA7588	#636689	#616161
+ 30%	#005F7A	#A79A00	#5A8997	#00867D	#B38114	#956677	#575978	#555555
+ 40%	#005168	#8F8400	#4D7681	#00736B	#996E11	#805866	#4A4C67	#494949
+ 50%	#004457	#776E00	#40626C	#00605A	#805C0E	#6B4955	#3E4056	#3D3D3D
+ 60%	#003646	#5F5800	#334E56	#004C48	#664A0B	#553A44	#323344	#303030

s 22

<b>Risks</b>	s 22
<b>Assumptions</b>	
<b>Benefits</b>	

Recruiting the specialist skills required from a data and IT infrastructure perspective in a challenging labour market. s 22

The changes must commence from a 1 July start date. s 22

SG payments are aligned to payroll cycle and are paid to employees' accounts around same time as salary/wages. s 22

s 22

**Priority administration updates**

*The ATO's ability to identify and act on SG non-compliance significantly improves.*

- Increasing payment frequency allows earlier debt identification, helping to prevent large accumulations of unpaid SG in businesses
- Enables earlier action on non-payment for higher prospects of debt collection success

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Improved voluntary compliance and employee engagement

Improved voluntary compliance and employee engagement

s 22

s 22



*Digital service providers – what logistical updates would be required*

It's not clear what, if any system updates will need to be made by digital service providers as the frequency of payment can already be regulated by employers. Additionally, a delay in transferring funds will be incorporated into any proposed policy.

s 22





#### 4. PAYG Instalments

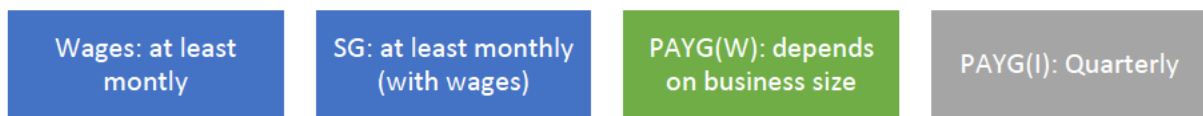
Currently, all four are due on different timeframes. This can depend on a number of factors including the award employees are employed under, and business size.

The SG on payday proposal would align two of the four of these payments.

Current:



Proposed:



- Mandating the payment of SG on payday will add complexity to compliance activities. It is not always clear what award is relevant (e.g. sit down vs takeaway restaurant) and therefore what the frequency of pay cycles should be.

s 22

s 22

**From:** Bruce Bastian <[BBastian@industrysUPER.com](mailto:BBastian@industrysUPER.com)>  
**Sent:** Thursday, 30 June 2022 4:09 PM  
**To:** s 22 <[REDACTED]> <[\[REDACTED\]@TREASURY.GOV.AU](mailto:[REDACTED]@TREASURY.GOV.AU)>  
**Cc:** Matthew Linden <[mlinden@industrysUPER.com](mailto:mlinden@industrysUPER.com)>  
**Subject:** FW: Unpaid Super - Payday Super Costing

Hi s 22

It was nice chatting to you the other day.

Please find attached the costing and costing note Matt Linden sent through to Lynn and Adam yesterday afternoon.  
s 22

s 22, the forward estimate costings are broadly revenue neutral with revenue gains possible subject to assumptions around increased compliance. The long run fiscal impacts are revenue positive.

Matt and I would be very happy to discuss.

Kindest regards,  
Bruce.

---

**From:** Matthew Linden <[mlinden@industriysuper.com](mailto:mlinden@industriysuper.com)>  
**Sent:** Wednesday, 29 June 2022 4:07 PM  
**To:** Kelly, Lynn <[Lynn.Kelly@treasury.gov.au](mailto:Lynn.Kelly@treasury.gov.au)>; Hawkins, Adam (<[Adam.Hawkins@TREASURY.GOV.AU](mailto:Adam.Hawkins@TREASURY.GOV.AU)>  
<[adam.hawkins@treasury.gov.au](mailto:adam.hawkins@treasury.gov.au)>  
**Cc:** Bruce Bastian <[BBastian@industriysuper.com](mailto:BBastian@industriysuper.com)>  
**Subject:** Unpaid Super - Payday Super Costing

Dear Lynn and Adam, please find attached a detailed note on forward estimate costings (including data sources and detailed methodology) for payday super and underlying spreadsheet.

s 22

The forward estimate costings are broadly revenue neutral with revenue gains possible subject to assumptions around increased compliance – the costing note includes sensitivity analysis on this aspect. The long run fiscal impacts are revenue positive.

Bruce Bastian and I would be very happy to meet to discuss in detail.

Regards  
Matt

Matthew Linden  
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Industry Super Australia Pty Ltd ABN [72 158 563 270](http://www.industriysuper.com) Corporate Authorised Representative No. 426006 of Industry Fund Services Ltd ABN [54 007 016 195](http://www.industriysuper.com) AFSL 232514

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The ATO have not noticed any significant improvements since 2014 in allocation timeframes by clearing houses through competition or commercial drivers. This proposal may be a trigger to drive these changes, although to what degree they can speed up allocation may be restricted by existing payment and data processes and may need broader regulatory and financial system changes. With the establishment of the real-time payments in 2018 and the increasing uptake of that platform, and BECS flagged for retirement in 5-7 years, this may already be on the horizon.

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- We also note that whilst it's not SG, it may be prudent to highlight that withholding remittance will be out of step with SG under these proposed reforms and a decision not to also look at the withholding regime (and employer obligations as a whole) at this time should be a deliberate one.

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# SG compliance and coverage

s 22





### Impact

- Timelier identification of underpayments of superannuation may be possible, assisting employees, unions, superannuation funds and the ATO.
- At least an additional 27 per cent of employees (4.2 million in 2020-21) who are paid SG quarterly would be paid SG more frequently than quarterly. At least 61 per cent of employers, predominantly micro businesses, would have to increase the frequency they pay SG.
- Employers may improve their norms around superannuation compliance due to the possibility of becoming liable for SG shortfall and SG charge penalties more frequently.
- Superannuation balances may increase if timelier identification of underpayments leads to improved recovery of unpaid SG.

### Advantages and disadvantages

- Paying SG more frequently could help the ATO undertake timelier compliance action, increasing the chances of recovering unpaid SG. It would also remove or significantly reduce incentives for employers to delay paying SG entitlements which may result in less unpaid SG.
- The reform may not help employees who are also being deprived of regular wages and salaries in addition to their superannuation entitlements and those working for employers that are non-compliant with STP.
- There may be negative responses from small businesses which have cashflow concerns. The impact on cashflow practices of employers is uncertain as the Retirement Income Review states it may create cash flow issues, while the ISA stated it would improve cash flow practices.

### Risks and Sensitivities

- The ATO's ability to detect underpayments may still be limited by difficulties in matching records between SuperStream, STP and MATS as reported in the ANAO's recent review (Addressing Superannuation Guarantee Non-Compliance). In 2017, the SG Cross Agency Working Group recommended data visibility be improved before reviewing the frequency with which SG was paid.
- The ability for employees and unions to check SG payments more frequently may be limited by restrictions in their rights to inspect employer records and delays in fund reporting.
- Timeliness of recovering unpaid superannuation may still be limited by the ATO's ability to process claims.
- Currently SG payments are required to be deposited into an employee's superannuation fund before a due date a month after the end of the quarter, allowing time for clearing houses to process the contributions. Clearing houses most often need several days to process the payments from the employer into each employee's superannuation fund. To accommodate these processes - a pay-day due date may need to refer to date of SG payment to a clearing

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house rather than a superannuation fund, otherwise the compliance burden on employers and clearing houses may be unreasonable.

Preliminary recommendation

s 22

- Improvements to the ATO's data matching processes and improving the visibility of SG payments to employees would help ensure the change reduces underpayments by enhancing the ability of these parties to detect and follow up on SG non-compliance.