Australian Institute of Superannuation Trustees

Reducing penalty for late super payments dilutes consumer protection

18 September 2015

The Australian Institute of Superannuation Trustees (AIST) is calling on Government to reconsider changes to the Superannuation Guarantee Charge reducing penalties for employers not meeting their obligations to pay superannuation to their employees

Under the proposed changes, the SG charge – a penalty paid by employers who fail to make their quarterly SG contributions on time – will only be calculated on ordinary time earnings and interest will only be payable from the SG due date, significantly reducing the cost to non-compliant employers.

AIST Executive Manager, Policy and Research, David Haynes said that the changes will reduce the incentive for employers to pay mandatory superannuation guarantee payments on time.

“The system should reward employers who are good corporate citizens and penalize employers who are bad corporate citizens,” said Mr Haynes. “The penalty for not paying super on time should be substantially greater than the SG itself.”

AIST modelling shows that an employee earning $5,000 per month would receive $1,140 in superannuation. If this payment was late under the current method, the employer would be required to pay an additional $285. However, under the proposed changes, the amount due is simply the unpaid super amount, with a nominal admin charge added.

AIST believes that the SG charge is necessary to protect employees. Everyone is entitled to receive their superannuation contributions on time.

“The purpose of the charge is to encourage employers to meet their legal obligations, it is fundamentally a form of consumer protection,” said Mr Haynes.

Note: Under the current system, the cost of the charge is calculated on the employee’s total salary and wages (including any overtime worked etc.) and interest payable is calculated from the beginning of the relevant quarter.

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AIST is the peak industry body for the $650 billion not-for-profit super sector which includes industry, corporate and public sector funds.

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