



AUSTRALIAN INSTITUTE of
SUPERANNUATION TRUSTEES

11 August 2017

Attn: The Black Economy Taskforce Secretariat
Lodged via online portal

Dear Sir/Madam,

Re: Black Economy Taskforce

In brief:

AIST recommends the Taskforce support existing initiatives (eg, SuperStream and Single Touch Payroll, new superannuation reporting) as the most effective ways of increasing superannuation compliance, in preference to the Taskforce's suggestions on the New Payment Platform. AIST encourages the Taskforce to adopt the relevant recommendations of the Government's cross-agency report into superannuation non-compliance.

AIST welcomes the opportunity to comment on the interim report of the Black Economy Taskforce and makes suggestion in this submission about improving employer non-compliance with their superannuation obligations.

AIST appreciates the scale of black economy transactions in Australia, with the impact that this has on business obligations with Superannuation Guarantee compliance being the focus of this submission in response to the report.

One of the recommendations of the Black Economy Taskforce is that:

Businesses should not be able to claim deductions on cash wage payment where they did not make or report Pay As You Go (PAYG) payments, issue payment summaries or statements of earnings, or make applicable superannuation contributions.

The interim report makes numerous observations about superannuation in the context of the black economy, including that:

Many small businesses do not have a good understanding of financial management and the tax and superannuation systems. Stakeholders consider that better education in financial

management, and tax in particular, especially for those setting up a business for the first time is necessary. Simple and low cost business and accounting systems would also help.

AIST acknowledges these comments and gives our support to most of them. However, we recommend an alternate approach in relation to the following comment:

The New Payment Platform (NPP) has the potential to allow users to verify ABN details, reducing the scope for fraud (quoting of incorrect ABNs) we see today. Another possible future NPP use would be to allow employers to make superannuation guarantee charge payments direct to the funds, potentially obviating the need for the ATO to act as intermediary while avoiding an increase in compliance burden for small business.

While recognising and supporting the overall benefits of the NPP, our view about Superannuation Guarantee compliance is that the ongoing development of SuperStream, the Superannuation Transaction Network, Single Touch Payroll (STP) and the new reporting arrangements (MATS/MAAS) will be the most effective way of increasing superannuation compliance by employers.

SuperStream has resulted in the significantly faster and more visible processing and allocation of transactions to members accounts, with the new arrangements for reporting superannuation contributions to the ATO meaning that these will be reported to the ATO in 'near real time' from next year¹.

STP will mean that there is greater and more immediate reporting to the ATO about wage, tax and superannuation payments. STP was introduced on a voluntary basis from 1 July 2017, and will be mandatory for employers with more than 20 employees from 1 July 2018.

A Superannuation Guarantee Cross-Agency Working Group has provided its report on Superannuation Guarantee Non-Compliance to the Minister for Revenue and Financial Services in May 2017².

The Working Group comprised officials from the ATO, Treasury, the Department of Employment, ASIC and APRA. The Working Group made nine recommendations to improve Superannuation Guarantee compliance, including the extension of STP to small employers and support for more frequent reporting. The Government has yet to respond to these two recommendations.

Firstly, the Working Group considers that all employers should report superannuation guarantee obligation information to the ATO in a more timely manner. One way this will be

¹ <https://softwaredevelopers.ato.gov.au/sites/default/files/resource-attachments/Member%20Account%20Transaction%20Service%20summary%20documentation.pdf>

² <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2017/Superannuation-Guarantee>

achieved is to leverage the Government's introduction of Single Touch Payroll legislation. Single Touch Payroll will commence for businesses with 20 or more employees from 1 July 2018.

The Working Group recognises that while there is, overall, a high level of voluntary compliance by the majority of employers there is scope to improve compliance to better safeguard employee entitlements.

Page | 3

The Working Group has identified two key barriers to maintaining or improving superannuation guarantee compliance.

The first barrier is that the ATO does not currently have any visibility over an employer's superannuation guarantee obligations to their employees. The second barrier is that the ATO only receives information on superannuation guarantee payments received by superannuation funds on an annual basis. Current reporting arrangements mean there can be a lag of up to 14 months in the reporting of contributions that employers have paid. This delay further reduces the effectiveness of the ATO's compliance work.

The Working Group has identified two proposals to overcome these barriers.

The Working Group considers that Single Touch Payroll should be extended to businesses with 19 or fewer employees as soon as practicable. This would ensure that the ATO receives regular and accurate information on superannuation guarantee obligations from all employers.

Secondly, the Working Group considers that superannuation funds should report more information more frequently to the ATO on the superannuation guarantee contributions received from employers. Subject to more detailed design and consultation, it is believed that this change may be able to be implemented from 1 July 2018.³

AIST strongly supports these recommendations from the Working Group, and recommends that they be endorsed and promoted by the Taskforce.

3

http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2017/Superannuation%20Guarantee/Downloads/PDF/Super_Guarantee_NC.ashx pages 5-6.

AIST has been closely involved in the development of all superannuation initiatives of recent years, including those sponsored by the ATO, and would welcome the opportunity to discuss these further with the Taskforce.

For more information in relation to our submission, please contact David Haynes, Executive Manager Policy & Research on 03 8677 3800 or at dhaynes@aist.asn.au .

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Eva Scheerlinck', is written over a horizontal line.

Eva Scheerlinck
Chief Executive Officer

The Australian Institute of Superannuation Trustees is a national not-for-profit organisation whose membership consists of the trustee directors and staff of industry, corporate and public-sector funds.

As the principal advocate and peak representative body for the \$700 billion profit-to-members superannuation sector, AIST plays a key role in policy development and is a leading provider of research.

AIST provides professional training and support for trustees and fund staff to help them meet the challenges of managing superannuation funds and advancing the interests of their fund members. Each year, AIST hosts the Conference of Major Superannuation Funds (CMSF), in addition to numerous other industry conferences and events.