

Council of Small Business Australia



Inquiry into the Superannuation Guarantee Non-Payment

Change the Collection process

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Council of Small Business Australia

The Council of Small Business Australia (COSBOA) is the national peak body representing the views of small business associations across Australia.

COSBOA represents the hard-working individuals, partnerships, and families that are behind over 2 million small businesses in Australia. These people help to both build Australia's economic prosperity, but more importantly, provide meaningful employment more than 4.4 million Australians.

The membership of COSBOA is diverse, from hairdressers to motor mechanics, craft brewers to local grocers. While the views of our 31 members are also diverse, they are all passionate about small business and recognise the value that small businesses bring the Australian economy.

Most people who run small businesses do not have the time, resources and or expertise to advocate for change when policies are not working for them. COSBOA is focused on ensuring their views and challenges are heard by government. Our goals are to:

- Promote and support the development of small businesses in Australia.
- Advocate to advance the interests of small business in Australia, including through policy change and regulatory reform.
- Foster an increased awareness and understanding of the role of small business in Australia amongst public servants and elected government officials, larger businesses, the media and the general community.

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Inquiry into the Superannuation Guarantee Non-Payment

Please find below a submission from the Council of Small Business Australia (COSBOA) to the Senate Economics Legislation Committee Inquiry into the Superannuation Guarantee Non-Payment.

COSBOA welcomes the opportunity to provide a voice for small business people to the Australian Parliament. We note that based on 2016 data from the Australian Bureau of Statistics, small businesses employ approximately 4.8 million people and remain a vital part of the Australian economy.

The payment system for superannuation is a key issue for many small businesses in Australia and has consistently been a challenge, a source of frustration and a roadblock to productivity.

While COSBOA recognises the importance of having a strong superannuation system in Australia, we believe that more needs to be done to simplify the payment system.

We also believe the funds and unions who are complaining about outstanding amounts of superannuation payments owed by small business people have presented data that is flawed. The data is based on a complicated formula that seems to have no real base of facts.

Indeed that the funds need to have a formula shows the problem. The funds should know what they are owed but due to poor administration and record keeping they have no idea. Indeed the industry funds in particular attempt to scam small business people through threatening legal action when they, the funds, aren't even sure if they are owed any money. They also falsely demand that businesses pay monthly when quarterly payments are legal. The industry funds may or may not be good at investing but they are not good at administration.

The funds themselves are aware of our proposal to make the system work by not involving employers but due to their connection to the union movement and to large businesses they do not wish to have fund nomination taken from the Workplace Relations system. Simply put they know how to complain, they know how to scam businesses, they know how to lose data but they don't know that they are the main problem in the collection system. If an employer does follow the instructions of many funds and tries to lodge via a fund website they will find complications and difficulties developed by the funds that sometimes makes it impossible to actually lodge a payment.

Superannuation should be included as part of tax and included in PAYG payments to the ATO. The person who owns the funds can work out with the ATO where to send their superannuation.

Then no employer would be forced to be involved in this system and we would not be having this discussion.

COSBOA Submission

The Council of Small Business Australia (COSBOA) welcomes the Senate inquiry into the *Superannuation Guarantee Non-Payment* and values the opportunity to provide a submission. COSBOA is committed to working with the Parliament to improve outcomes for small business people and is well placed to provide advice to this inquiry.

We congratulate the Australian Government on its willingness to examine and aim to improve superannuation in Australia. If we as a society are to be able to afford to look after and support older Australians into their retirement, superannuation is vital. Small business owners around the country recognise this and support their employees not just by provision of a job but through the payment of tax and superannuation. This support underscores the commitment of small businesses to improve our society.

Despite the widespread support for superannuation, the management of this payment is a source of frustration for many small business owners. Due to the complexity of payment systems, many owners of small businesses have to spend weekends filling out paperwork or using important business hours to contact super funds to manage errors that have occurred despite trying to do the right thing. The management of this payment is a drain on productivity and causes unnecessary stress to small business owners. It also creates worry for employees who as investors in superannuation funds are often unsure what is happening with their money and indeed with the relevant fund. We need a better way of managing this.

The Small Business Superannuation Clearing House is a good initiative that does go some way to reduce the complexity for small business owners. This process does reduce red tape and compliance costs by helping make payments to multiple super funds through a single payment. While the Clearing House does help small business owners, there are still a range of complexities involved in the management of superannuation and still confusion for employers and employees.

The goal of COSBOA is to eliminate superannuation administration for small business employers. We believe the best way to do this is by incorporating superannuation payments into the PAYG tax payment process. Then payment to superannuation funds can be delivered by the Australian Tax Office on advice from the owner of the funds.

COSBOA would like to highlight the following key points to the Senate inquiry:

- Superannuation is supported by small businesses in Australia as an important part of public policy to support retired Australians.

- The management of superannuation payment is complex and a source of frustration for small business owners who are trying to do the right thing.
- The payment and collection of superannuation should not be managed by business large or small.
- The Small Business Superannuation Clearing House initiative does not go far enough in reducing complexities for small business.
- Superannuation should be included in PAYG payments. There should be no involvement by employers in the superannuation system

We believe Australians should be empowered to make their own superannuation choices and encouraged to more easily consolidate superannuation through the Australian Taxation Office (ATO) section of myGov.

Administration and regulation of superannuation funds is a drain on productivity in Australia. The COSBOA proposal could see the following improvements:

- Separate administration for the payment of superannuation to multiple funds removed.
- Choice of superannuation fund administration and multiple penalties removed.
- Employer “default” superannuation fund requirement and associated penalties removed, empowering individuals with more choice.
- Reference to superannuation guarantee and negotiation within industrial awards not required.
- Late payment penalty system on employers not needed.
- The “no tax-file-number” payment system not required.
- Superannuation “failure to keep records” penalties removed.
- Files and communications with multiple superannuation funds (beyond payment system) not required.

By adopting this policy, a range of efficiencies are achieved for small businesses in Australia. These efficiencies reduce time spent on red tape and allow small business owners to focus on improving their business. The following efficiencies will be achieved:

- A significant amount of monthly, quarterly and annual communications with superannuation funds and employers regarding their employees would be eliminated.
- Immediate capture of all lost superannuation by ATO, improving outcomes for consumers.
- Immediate accumulation of superannuation guarantee tax by ATO.
- Quick identification of non-payment of PAYG by ATO as it is fully experienced in chasing these types of late payments.
- Greater connection of employees with their super from their first employment event.
- Significant administration costs removed from the industry, freeing up additional finances for investment in improving productivity and innovation.

There are a range of issues that need to be addressed when considering implementing this change. These include:

- Current superannuation calculations currently based on average weekly ordinary time earnings could need to be based on gross wages.
- Additional superannuation from overtime adjusted in superannuation move from 9% to 12%.
- Superannuation would be payable on all wages including payments below \$450 per month. This also removes superannuation threshold anomalies in the award system
- Adjustment of the SuperStream initiative to allow employees to authorise the transfer of gross pay information to their super fund from the ATO not from an employer who would not have this information.

These changes are complex and require additional research and information. COSBOA has lodged comprehensive proposals on this issue, however, we call on the Government to further investigate this as a potential approach to improving efficiencies and increasing productivity for small businesses.

Attached to this document is a more detailed proposal from that outlines how the Government could implement this change.

COSBOA will be working with our members to advocate for an improvement in superannuation policy throughout 2017 and look forward to further opportunities to work with the Parliament on this and other important issues.

ENDS