



13 October 2017

Committee Secretary  
Senate Economics Legislation Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Email: [economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)

Dear Madam/Sir,

**SMSF ASSOCIATION SUPPLEMENTARY SUBMISSION ON CHOICE AND ACCOUNT PROLIFERATION  
AND SUPERANNUATION GUARANTEE NON-PAYMENT**

The Self Managed Super Fund Association (SMSFA) welcomes the opportunity to make a supplementary submission to the Senate Economics Legislation Committee regarding superannuation fund choice and account proliferation and superannuation guarantee non-payment.

*Choice and account proliferation*

The SMSFA believes the ability for all employees to choose their superannuation fund is an important element in promoting an efficient and competitive superannuation sector. We believe that constraining employee choice has negative effects of disengaging people from their superannuation, reducing competition and increasing account proliferation.

Account proliferation can occur where employees change employers or work in multiple casual or part-time jobs and are unable to direct their superannuation guarantee contributions to a fund of their choice. Instead, they are forced by an award or enterprise agreement to contribute to a mandated superannuation fund. This can cause individuals to accrue a number of superannuation accounts as they change employers or take on new work.

We strongly believe that choice of fund will help **reduce** the number of superannuation accounts per worker, rather than cause it to increase. This will be assisted through improved digital solutions, especially the Australian Taxation Office's (ATO's) superannuation portal on MyGov.gov.au which allows for simple consolidation of superannuation accounts. We believe that this has already played an important role in reducing account numbers.

ATO stats show that over the past four years, the percentage of individuals that held three or more super accounts has steadily decreased.<sup>1</sup> As at 30 June 2016, a significant downward shift of three percentage points was seen for individuals holding three or more super accounts compared to the

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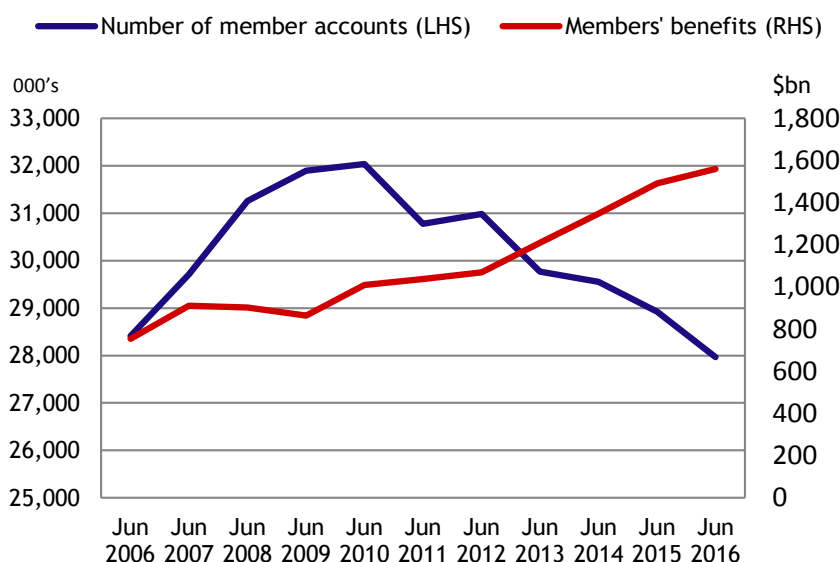
<sup>1</sup> <https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Super-statistics/Super-accounts-data/Super-accounts-data-overview/>



previous year. The number of members with one superannuation account has risen from 55.13% in 2013 to 60.00% in 2016. We believe this is due to education and the introduction and increases of technology.

The Australian Prudential Regulation Authority June 2016 Annual Superannuation Bulletin<sup>2</sup> further illustrates the decline in the number of member accounts especially since the introduction of MyGov in 2013. The following chart extracted from that publication shows that the number of member accounts has steadily declined from a peak in 2010 to significantly lower levels in 2016. This trend refutes the claim that increasing superannuation fund choice is directly linked to an increase in account proliferation. We would expect this trend to continue as taxpayers become more familiar with MyGov and its functionality going forwards.

**Chart 3: Member accounts and benefits**



We believe the opening up of choice to all individuals will further facilitate this positive trend line. Specifically, offering choice to all employees gives them the potential to utilise a single account if that is what they wish to do. Opening up choice of fund to all employees will also increase the efficiency of the superannuation system by removing the need of employees who are constrained by an enterprise agreement or other restriction to roll-over their contributions to their fund of choice

#### *Superannuation guarantee non-payment*

The SMSFA is supportive of measures that close a loophole used by employers to reduce their employee's superannuation guarantee when the employee chooses to make salary sacrifice

<sup>2</sup> <http://www.apra.gov.au/Super/Publications/Documents/2017ASBEXCEL201606%20-%20PDF.pdf>



contributions to superannuation. We also believe this should only be the start of further integrity measures.

Individuals who make salary sacrifice contributions intend for these contributions to be in excess of the mandated 9.5 percent superannuation guarantee. Ensuring employers are paying the correct superannuation is essential to ensure all Australians can reach a dignified and secure retirement and garner the full benefits of the superannuation system.

The SMSFA also strongly endorses that the following recommendations in the Superannuation Guarantee Gap Senate Inquiry Report should be agreed by the Government as soon as possible:

1. Recommendation 2 – ATO to prioritise calculating the SG gap and commit to publishing the SG gap annually in order for progress to be tracked over time
2. Recommendation 3 - removing the \$450 monthly threshold on SG eligibility.
3. Recommendation 7 – review the definition of Ordinary Time Earnings for the purposes of SG obligation calculations and undertake an examination on the wider implications of any potential changes.
4. Recommendation 12 – ATO to undertake more proactive compliance activity, such as random audits
5. Recommendation 13 – ensuring the ATO has sufficient resource levels to monitor SG compliance.

We also agree with the Superannuation Guarantee Cross-Agency Working Group actions that were stipulated in the Superannuation Guarantee Non-compliance report. The SMSFA endorses the following recommendations in the report, noting some have already been actioned.

Working group recommendations:

1. That subject to the findings of the current small business pilot being conducted by the ATO, to improve the ATO's visibility of superannuation obligations it is recommended by the Working Group that all businesses (including small business) comply with Single Touch Payroll.
2. To improve the ATO's visibility of superannuation guarantee contributions made to employees' superannuation funds, require superannuation funds to report detailed contributions payment information more frequently. It is understood this can be enacted through the creation of a legislative instrument by the Commissioner of Taxation to move from a requirement for superannuation funds to report superannuation contributions annually.
3. The ATO should inform employees of its actions to collect their superannuation guarantee, including in ATO-initiated cases where this communication is currently constrained by current secrecy provisions. The ATO and Treasury will advise of the administrative and legal changes needed to inform employees that have not self-reported suspected non-payment to the ATO.
4. To improve the overall framework for superannuation guarantee compliance and the collection of superannuation guarantee charge debts, enhancements should be made to the Director Penalty Notice regime and to the Security Bonds Regime.



5. That the Minister note work being undertaken by other taskforces on deterrents and increasing transparency, with particular reference to recommendations for legislative and administrative reforms to be proposed by the Phoenix Taskforce.
6. Ensure the penalty framework surrounding superannuation guarantee is sufficiently flexible to appropriately deal with the spectrum of employer culpability in non-compliance.
7. Amend the calculation of the nominal interest component in the *Superannuation Guarantee (Administration) Act 1992* so that interest is only payable for the period contributions are outstanding.
8. To prevent contributions made under salary sacrifice arrangements from satisfying an employer's superannuation guarantee obligations the Superannuation Guarantee (Administration) Act 1992 should be amended.
9. Amend the Superannuation Guarantee (Administration) Act 1992 to specifically include in the base for calculating an employer's superannuation guarantee obligations those salary or wages sacrificed to superannuation as part of salary sacrifice arrangements.

If you have any questions about our submission please do not hesitate in contacting us.

Yours sincerely,

John Maroney  
Chief Executive Officer  
SMSF Association

#### **ABOUT THE SMSF ASSOCIATION**

The Self Managed Super Fund (SMSF) Association is the peak professional body representing the SMSF sector which is comprised of over 1.1 million SMSF members who have \$696 billion of funds under management and a diverse range of financial professionals servicing SMSFs. The SMSF Association continues to build integrity through professional and education standards for advisors and education standards for trustees. The SMSF Association consists of professional members, principally accountants, auditors, lawyers, financial planners and other professionals such as tax professionals and actuaries. Additionally, the SMSF Association represents SMSF trustee members and provides them access to independent education materials to assist them in the running of their SMSF.