

11 March 2010

Mr John Hawkins
Committee Secretary
Department of the Senate
Parliament of Australia
PO Box 6100
Parliament House
CANBERRA ACT 2600

By email: economics.sen@aph.gov.au

Dear Mr Hawkins,

Tax Laws Amendment (2010 Measures No. 1) Bill 2010

The Westpac Group is pleased to provide a submission to the Senate Standing Committee on Economics inquiry into this Bill.

Westpac welcomes the Government's initiative to establish a free clearing house service for small business. We support the creation of approved clearing houses for the management of superannuation contributions on behalf of small business.

While endorsing the general comments made in the Investment and Financial Services Association's (IFSA) submission we would like to make some further more specific comments relating to Westpac's role as a superannuation clearing house and superannuation provider, through our subsidiary BT Financial Group.

We are concerned that the proposed legislation will have unintended consequences for the superannuation market, including an unfair advantage against established private sector clearing houses. In terms of liability, the proposed legislation, through Medicare, allows small business to be discharged from their superannuation obligations at the time of using the clearing house. This is contrary to current law for private sector clearing houses, whose customers can only be discharged of their obligations after the superannuation fund accepts the contribution from the clearing house.

This important difference means that private sector clearing houses, such as Westpac's QuickSuper, will be forced to compete in a market distorted by the change and no longer uniform or equitable from public and private sector participants. This will have negative consequences for small business who choose to continue to use private sector clearing houses.

In addition, more clarity is required with respect to Medicare's liability where it accepts an employer contribution from the small business owner, but in the next stage the superannuation fund is subsequently unable to accept the contribution.

It seems clear that this change is likely to result in small business feeling obligated to take up the Medicare offering to realise the legislative benefit of discharging their superannuation business, even though choosing Medicare as clearing house provider may not best suit their business needs.

We recommend the legislation is amended to ensure clearing houses standards are the same across both private and public sectors.

Westpac understands it is also the Government's intention to only send payment to superannuation funds via electronic funds transfer (EFT) which, whilst more efficient than remitting by cheque, and aligns with the efficiency objectives of the Cooper Review, ignores a large proportion of superannuation funds who do not currently have the ability to process electronic payments and still rely on the receipt of their contributions via cheque and remittance.

To conclude, while Medicare may be an appropriate agency to operate the clearing house, we would strongly recommend a reconsideration of the legislation to ensure uniform obligation standards across the industry so that small businesses can access an effective and efficient clearing house system.

I would be happy to arrange for a discussion on any of the above points mentioned at a time of your convenience.

Yours sincerely,

(...)

Victoria Somlyay
Head of Government & Industry Affairs
Corporate Affairs & Sustainability