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2nd March, 2010

Submission in respect of

Economics Legislation Committee
Inquiry into Tax Laws Amendment (2010 Measures No 1) Bill 2010

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Commercial interests

Superannuation Information Centre Pty Limited does not have any commercial interests, past or present, in a superannuation Clearing House or a related enterprise.

Our business interest centres on advocacy for the efficient operation of the superannuation system, and education support services for superannuation practitioners.

We have extensively researched and prepared several professional development papers on the function and efficient operation of superannuation contribution payment processes associated with the administration of Superannuation Guarantee obligations imposed on employers.

This submission is our response to inquiry questions based on independent research into global electronic commerce processes since the early 1980's.

Response to Inquiry Questions

1. Will the proposed legislation have unintended consequences for the superannuation market?

Yes. In our view the efficient administration of compulsory employer Superannuation Choice contributions should be a function of a single payroll system. Employers should be in a position to select a single payroll system to support their total business requirements from any number of competitive service providers in an environment of unconstrained market forces. Any link to a superannuation payments administration hub, known as a Clearing House, would be a commercial integration of an outsourced service. This will provide a seamless connection with an employer and a nominated superannuation account. Improved payment efficiency will evolve through on-going research and technical development.

The intervention of a free of charge Government facility, based on the Medicare Australia business model, as described at the time of this submission, will stifle the development of an efficient single payroll solution. Another related impediment to the enabling legislation is the split processing of employees when the employee count for small business fluctuates, and at at times exceeds 19. In the case of business growth and retraction some employers may need a composite range of payroll support services.

2. Is the legislation anti-competitive?

Absolutely. The Approved Clearing House is able to offer a discharge of taxpayer responsibility for a late payment of an employer superannuation contribution to a nominated fund as a result of a systemic error. In the case of a privately administered Clearing House a systemic error would expose the employer to a penalty payment, and the subsequent burden of seeking recovery through legal processes. This anti-competitive commercial advantage to an Approved Clearing House is perhaps the most significant, within a range of other strategic advantages including the processing of documentation and the provision of a free of charge service.

3. Is Medicare an appropriate agency to operate an Approved Clearing House?

Arguably not. There is a political divide on the role of Medicare functions that could be liberalised to the private sector. Private Health Insurance is a topical example. Against this background, there is the potential for a future Government to reverse the decision to appoint a Government agency to administer Superannuation Choice payments, and to revert to the original Government decision to subsidise privately administered Clearing Houses. There is the serious potential for large scale economic waste.

Closing comments

This submission has been prepared as an executive summary of principal arguments in respect of each Inquiry question.

End.