



18 September 2015

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Contributions and Accumulation Unit  
Personal and Retirement Income Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

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Dear Madam/Sir,

## **SMSF ASSOCIATION SUBMISSION ON SIMPLIFICATION OF SUPERANNUATION GUARANTEE COMPLIANCE FOR EMPLOYERS**

The SMSF Association welcomes the opportunity to make a submission on the draft legislation which seeks to simplify compliance with the Superannuation Guarantee (SG) for employers. While we understand the Government's motivation to reduce superannuation compliance burdens for business we are concerned by changes that could potentially weaken the SG scheme.

At the core of the SG scheme is the notion that superannuation is compulsorily taken from an employee's labour income and paid to their superannuation fund. The compulsory nature of this payment means that employees are effectively being made to sacrifice current income for future income that can be drawn down on during retirement. Accordingly, where an employer does not pay an employee's SG contributions promptly to their superannuation fund, they are effectively deferring payment of the employee's income. This is why the SG laws have strong penalties, including pecuniary interest rate arrangements, for late payments.

Another important reason for promoting timely payments of SG contributions for employees is to ensure that employees' superannuation contributions are invested so they can grow their superannuation savings. Time out of the market reduces the effect of investment returns compounding over time. Because of this, we believe it is important to maintain a strong SG framework that encourages employers to make superannuation contributions in a timely manner.

We believe that the existing penalties for late payment of an employer's SG obligations are appropriate in light of the nature of compulsory superannuation. Our view is that the nominal interest rate applying to late SG payments should apply from the beginning of the quarter that corresponds to the relative SG payment until the payment is made. This nominal interest treatment acts as an important pecuniary disincentive for late SG payments and is reflective of a late payment being a deferral in an employee receiving reward for their employment. This is a strong disincentive for employers being late in meeting their SG obligations. We are concerned that weakening this disincentive may promote non-compliance with SG obligations.



Further, we note that the ongoing SuperStream reforms, in addition to the small business clearing house, are making it easier for employers to make superannuation contributions to employees' superannuation funds, including SMSFs.

Accordingly, we do not support the Government's proposed amendments to penalties for late SG payments.

## **ABOUT THE SMSF ASSOCIATION**

The SMSF Association is the peak professional body representing the self managed superannuation fund (SMSF) sector throughout Australia. The SMSF Association continues to build integrity through professional and education standards for advice and education of trustees. The SMSF Association represents professionals, irrespective of their personal membership and professional affiliations, who provide advice and services to individuals aspiring to higher levels of participation in the management of their superannuation savings. The SMSF Association is consisted of individual members, principally accountants, auditors, lawyers, financial planners and other professionals such as tax professionals and actuaries.

If you have any queries about our submission please do not hesitated in contacting us.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A Slattery'.

Andrea Slattery  
Managing Director/CEO  
SMSF Association