

From: bookkeeper@chapelhillkindy.com.au <bookkeeper@chapelhillkindy.com.au>

Sent: Thursday, November 2, 2023 12:28 PM

To: Payday Super <paydaysuper@TREASURY.GOV.AU>

Subject: Not for Profit Small Business input for Pay Day Super

Hello

As the bookkeeper for a not for profit community Kindergarten in Brisbane, I want to provide some feedback on the Pay Day Super concept to be taken into consideration for this new process.

Overall – while I support the concept to process Super with Payroll (saving for the future of our retirees is critical), doing so must not create a significant burden on small business and must simplify processes for paying super in the methodology. We currently use the ATO's Small Business Super Clearing House (SBSCH), but it is not without shortcomings that have created significant fines for our small not for profit which impact our ability to deliver a Kindergarten program for children. Even on verbal discussion with SBSCH (ATO) staff, they have no compassion or understanding of the complexities and shortcomings of their own system – hence the fines must stand without discussion. I'm not sure this is the intent of a taxation system – to be ambiguous and unflinching in rule application to the detriment of organisations like Kindergartens. The funds must then be replaced by further government funding to prop up paying the fines – it's a crazy vicious circle that costs society more by the cost of my time, the SBSCH staff time and achieving nothing. I am by background an Accountant doing simple Bookkeeping for the Kindergarten, so regard myself as having more knowledge and attention to detail than the average bookkeeper, and keeping up with the existing processes and pitfalls of Super and the SBSCH is a challenge.

Pay Day Super – regular fortnightly Super Payments

Please try to include this concept in existing STP processes – the Super component of the Pay Run. The STP run should include the lodgement of the payments that currently happens Quarterly for us with the clearing house. Our payment processes via the small business accounting systems (MYOB, Xero, Reckon etc) when wages are processed through the bank account could include an additional payment to the Super Clearing House for distribution to the funds. If this can all happen in the background within the Accounting Software and STP processing, it will not add to the load on small business.

Onus for updating Employee Super Fund Accounts onto the Employee and the Super Fund

Move the onus for keeping Super Fund Accounts updated to the employees. This perhaps could be done on MyGov Accounts. The small business employer has become stuck in the middle of Employee Super Account changes when employees change funds or their funds merge with others and they don't advise their Employer of the updates. This happens so often now that it has become the biggest factor in submitting Super Payment Instructions that fail validation. If the Employee manages their own updates on MyGov, there would be far less instances of Employers not paying Super. It is this issue more than any other that creates delay and problems when processing Super.

Perhaps going even further, when funds themselves merge and restructure, impacting the Member details, then the Fund should have some obligation in advising MyGov (perhaps it's the ATO service) of the changes to the accounts. At the moment there is such a messy cycle that goes from:

- Fund advises employee of updates
- Employee advises employer of updates (if they get the advice from their fund and think to tell their employer that is!)
- Employer updates Clearing House instructions

It would be simpler to cut out all the middle-men here and have the fund advise the ATO (MyGov) of the updates to ensure they are active, timely and accurate. The employer pays the wages and super each payroll – the super automatically goes to the employers chosen clearing house. The clearing house holds the updated super account details so that no payments fail validation in processing.

More timely advice from ATO of Super Payment Breaches and Appropriate penalties

Our small business has paid over \$1000 last year for the Super Guarantee Charge Statements we were required to submit. Advice that we needed to submit SG Charge Statements came a year after the infringement. The infringement in fact had been corrected within a month or two of the error being made and payment to our employee super accounts had been processed. 10 months later we were required to submit an SG Charge Statement and be fined for 1 year of interest payments on the error, when in fact the problem had been resolved 10 months prior. On discussion with the SBSCH (ATO) there was no discussion that could be entered into, the fine was determined based on the timing of the SG Charge Statements, not the date that the problem had been corrected. If the ATO had advised the business much earlier that payment had not been received on time, then this fine would have been a fraction of the final cost. Timely advice from the ATO is problematic for small business. No other organisation would tolerate a 1 year turnaround on these issues. Our government needs to do better.

Don't reject Super Payments quite so quickly

At the same time we were asked to process SG Charge statements for the year prior (as noted above), we were also asked to submit an SG Charge Statement for a second period in the year, where we had tried 4 times to make payment to the SBSCH (the first of which was on time) and the payment kept being rejected and returned to us.

- Our first on time payment was rejected. An auto email from the ATO suggested at the time, it was likely that the BPay payment details were incorrect and to resubmit. In time it was determined that the BPay payment details had been correct all along.
- When the payment was reprocessed out of our bank account for the second time, it was inadvertently reprocessed for 1 cent more than the payment instruction. This payment was also rejected and returned to us. This should not happen. If there are excess funds paid, just hold on to it until the next payment instruction and net it off there.
- The third time our payment was processed, the payment amount was accurate, the BPay details were accurate, but it was returned to us again. After a 3rd fail in payment, I called the SBSCH who advised that the payment was failing because one of the employee funds was no longer valid. I am not sure why this was never communicated to us previously and why it also meant that payment to all of the other employees were rejected. This delayed super payment by 2 months because of the wasted time in back and forth and lack of communication from the SBSCH.
- The problem employee was followed up for new Fund details, the payment instruction was then re-submitted and on our 4th attempt, the payment was successful.

Employers like us, don't actually want to do the wrong thing, but existing processes sometimes make it impossible to meet the obligations and the suggestions above would help to achieve that.

So looking forward to what you come up with for this initiative – we whole-heartedly support it, as long as the onus doesn't fall entirely onto small business.

Many thanks

Mandy

Mandy Maki-Neste

Bookkeeper - Chapel Hill Community Kindergarten

bookkeeper@chapelhillkindy.com.au

Chapel Hill Community Kindergarten

27 Fawkner Street

Chapel Hill QLD 4069

Phone: 07 3378 2008

info@chapelhillkindy.com.au

www.chapelhillkindy.com.au

<https://www.facebook.com/ChapelHillCommunityKindergarten>