

**From:** Brett Reed <brett@e-payday.com.au>

**Sent:** Tuesday, 31 October 2023 8:49 PM

**To:** Hau, Wendy <Wendy.Hau@TREASURY.GOV.AU>

**Subject:** Re: Feedback on Virtual Roundtable - Securing Australians' Superannuation 19/10/2023.  
[SEC=OFFICIAL]

Hi Wendy,

Thank you. I'm comfortable with my feedback being provided as a formal submission, and there is no need for confidentiality.

I have made one edit as I noticed my error: changed **EMPLOYMENT PAYMENT OR DUE MODEL** to **EMPLOYER PAYMENT OR DUE DATE**

## **BACKGROUND**

I am the founder of [e-PayDay Pty Ltd](https://www.e-payday.com.au) (a DSP). We have been developing Payroll Solutions since 1986 and provide products for organisations with up to 2000 employees. We also provide a comprehensive free cloud payroll solution for businesses with fewer than three employees, [www.freepay.com.au](https://www.freepay.com.au).

I have been involved with Single Touch Payroll (Phase 1 and 2) since 2015 in multiple ATO Working Groups and was a member of the STP Advisory Group from its inception. My [LinkedIn profile](#) contains relevant details, and you will find general commentary in my [Blog posts](#).

## **EMPLOYER PAYMENT OR DUE DATE**

Due to the fundamental difference in how superannuation is paid because of differing Business structures, a one-size-fits-all approach is problematic.

When paying employees in a small business, it's often the same person who manages both employee and super payments. As such, an **Employer Payment** is the most suitable option in these circumstances, depending on the technology used. Here's how it may work: while processing the payroll and reporting it through STP, the employer can pay the SG simultaneously using a payment gateway. The system would generate a receipt providing evidence that the employer has fulfilled their Payday Superannuation obligation.

In situations where the natural business process is not as described above, the requirement would be the **Due Date**.

## **THE NOW**

Since 1987, Our customers have been using the functionality we provided in our payroll products to meet their Withholding Tax (PAYGW) and the Superannuation Guarantee (Levy) from 1992. To circumnavigate the complexity and pitfalls, most of our customers require the applicant's TFN and choice of Super Fund before they can commence employment.

When a user processes their pay run, the amounts calculated for PAYGW and SG are automatically transferred to their nominated holding accounts held with a Financial Institution. When the liabilities are due, the payment is made from these accounts, allowing the employer to meet their obligations effortlessly.

Transferring PAYGW and SG to a separate account mitigates the risk of unavailable funds when the employer must fulfil their obligations. As the liabilities are a statutory requirement when a pay run is processed, there is no justification in the argument regarding these responsibilities resulting in a negative effect on the business's cash flow.

Most of our customers also pay SG monthly. Moving this concept to super paid on payday mirrors their natural business process. Currently, many use the SBCH, or use the SAFF functionality that we have included within our products since its implementation. When a SAFF file is produced, a Bank File (.aba) is also simultaneously created, which is uploaded to their Financial Institution.

The fundamental philosophy within the core design of e-PayDay is to pre-fill information within our solutions wherever possible by implementing government-provided API's. We extensively validate the data to ensure a minimum impact on reporting the provided information, minimising the risk of garbage data (GIGO).

#### **DATA VALIDATION AND CORRECTIONS**

The essential requirement is implementing services (API's) that allow for the mandatory validation of the superannuation data before it is sent. Validation should be performed during data entry and again immediately before reporting.

Payroll errors happen frequently, both under and overpayments, so it is paramount that when a mistake is identified, reported and the correction made, the funds are transferred within a strictly limited period. We have experienced a situation where a small employer made a \$10,000 mistake with an SG payment, and it took over three months for the money to be refunded by the Fund, which resulted in significant and unnecessary stress for the employer. Any situation where it takes an extraordinary length of time to return money results in an adverse negative financial impact on a small business, particularly where it involves large amounts.

My general view is reconciliation, and the correction of errors in an end-to-end process should be completed within thirty (30) days from the initial reporting and payment of SG. Corrections, once identified that result in the transfer of funds (debit or credit), must have a 72-hour limitation for completion.

#### **API'S AND EMPLOYEE COMMENCEMENT**

The implementation of Payday Superannuation mission-critical services must be mandatory. They also need to be well designed, future proof and fit for purpose. The engagement model must be followed and feedback actioned; otherwise, solutions provided will not be consumed, resulting in an outcome such as "Stapled Super".

Onboarding should be compulsory, with a robust, comprehensive service delivered by the ATO. This offering would minimise development costs for the DSP. Any services provided to support the implementation of Payday Superannuation must also be available in "real-time" where possible.

When I was involved in the ATO's Employee Commencement Working Groups, it was identified from the outset the possible issues with the potential of advertising in the onboarding process. This outcome is problematic for several reasons:

1. The most vulnerable (young people) may be easily influenced by the placement of advertising.

2. The promoted Superannuation Fund may not provide the best returns and will probably be the one with the most significant advertising spend.

It was discussed within these working groups that advertising in the onboarding process if consuming services provided by the ATO should not be allowed. The risk for adverse outcomes exceeded any perceived or argued benefits. Advertising would unduly influence the inexperienced and not provide a level playing field with the choice of super.

### THE COMPLEXNESS OF OTE

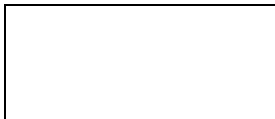
Anomalies are the norm when defining OTE and need to be urgently addressed. I have also detailed a fascinating complexity in a blog post, [The removal of the \\$450 Superannuation threshold was overdue but the changes don't go far enough](#).

Also commented within the Round Table is the unnecessary intricacies of [Annual Leave Loading](#).

There have been many statements in intricate detail regarding the inequability of the SGC, which I also believe should be in scope. If the desired outcome is met with the implementation of Payday Superannuation, there would be no more requirement for this "big stick", which, if it remained in its present form, would unfairly punish employers.

### ILLUSIONARY TRUTH EFFECT WITH EMPLOYERS CHANGING PAY CYCLES

Within our findings, although there is a genuine concern among Businesses about the additional cost that may result from Payday Superannuation, there is no support for the perspective that employers will change the pay cycles to Monthly. As most employees work to a weekly budget, they will not embrace a different pay cycle. Any overt changes by employers to the existing regular pay cycles may be subject to intense resistance by their employees.



**Brett Reed**

Founder / Managing Director, e-PayDay Pty Ltd

**Phone** 1300 372 932 | **Website** [www.e-payday.com.au](http://www.e-payday.com.au)

**Email** [brett@e-payday.com.au](mailto:brett@e-payday.com.au)

**Address** PO BOX 589, KIPPA-RING QLD 4021

**FREE** [www.freepay.cloud](http://www.freepay.cloud)

---

IMPORTANT: The contents of this email and any attachments are confidential and intended only for the named recipient(s). Please notify the sender immediately if you have received this email by mistake. Do not make copies or disclose the contents to anyone else.