

Wendy Hau,
Director, Superannuation Access and Compliance Unit
Retirement, Advice and Investment Division
The Treasury
Langton Crescent
Parkes ACT 2600

Via email: paydaysuper@treasury.gov.au

3 November 2023

RE: Securing Australians' Superannuation Budget 2023-24 - Consultation Paper

Link Group wish to express our gratitude to The Treasury, and the Australian Taxation Office (ATO) in their ongoing engagement with us and the broader industry in co-design and consultation on the development of the Securing Australians' Superannuation (Payday Super) measures. We are grateful for the opportunity to provide a response to the consultation paper and, in doing so, we acknowledge both the challenges and the opportunities the Government, the superannuation industry, and employers will face in delivering this significant and important change for Australian workers.

About Link Group, Retirement & Superannuation Solutions

Link Group is uniquely placed in the superannuation industry. We represent a large client base and industry sector cross section of superannuation funds, providing fund administration services for over 10 million fund members.

As one of Link Group's core businesses, Retirement & Superannuation Solutions (RSS) combines the expertise of our skilled people with technology, digital connectivity, data analysis and insights to deliver our market leading capabilities, products and services to help our pension and superannuation fund clients drive better retirement outcomes for their members. RSS operates across Australia, New Zealand, Hong Kong and the United Kingdom, supporting clients in all sectors including government, industry, retail and corporate.

Submission Summary

Link Group supports the Government implementing Securing Australians' Superannuation measures that:

- **leverage and improve upon the existing superannuation payment system infrastructure**

SuperStream has been essential in achieving the current efficiency of the superannuation system. We automatically allocate an average of 96.46%* of all SuperStream member contributions we receive per month for our client funds.

Significant advances in reporting capabilities since the implementation of SuperStream have also provided opportunities for marked service improvements for members to manage their superannuation, and an increase in the volume and quality of data received by the ATO to undertake compliance activities.

We believe that it is in the best interest of the industry, and in the best financial interest of members to evaluate and improve upon these services in the development of payday super policy.

Superannuation funds have made significant investments in superannuation clearing houses and play an important role in educating and supporting employers to meet their obligations through these services.

Clearing houses and gateways provide essential services to employers and funds in validating contributions and managing SuperStream message interfaces. We encourage the Government to leverage the considerable investment already made and drive productivity by building upon the existing services, and co-designing solutions with these existing industry stakeholders.

*based on the 2022-23 financial year

- **focus on member outcomes and opportunities to provide accessible solutions and improve engagement**

In developing payday super policy, we encourage the Government to consider the employee (member) experience. We support improvements to Choice of Fund and stapling that are fair and equitable to all superannuation guarantee (SG) recipients regardless of their level of engagement with their superannuation, or their access to, or use of ATO digital services.

Many superannuation funds currently take active steps to address non-payment of superannuation directly with employers and members. We also suggest that the Government consider how to improve its own communications and engagement with members in relation to their superannuation, as important stakeholders in detecting SG non-compliance.

In developing this policy and the subsequent administrative requirements, we also encourage the Government to limit, and much as is possible, the resulting financial impacts and administrative burden on superannuation funds and their members.

- **increase efficiency and sustainability of processes for all stakeholders involved in the superannuation payment system**

SuperStream data quality issues are a major issue for superannuation funds and their administrators. Validation standards are not holistically applied across all data and payment transfers to funds. With the increase in transaction volumes resulting from the implementation of payday super, the risk of poor data resulting in duplicate accounts and multiple accounts increases.

It is essential to the success of the policy, and member outcomes, that the Government address employer data quality standards in its design.

We also encourage the Government to design solutions to current barriers to timely and accurate SG payments experienced by employers such as Choice of Fund and stapling.

We support the alignment of employer obligations, flexibility, and grace periods allowed under the Single Touch Payroll (STP) regime as reporting for SG compliance is highly dependent on this process.

We caution against an excessive and inefficient ATO SG compliance regime disproportionate to the future state of SG non-compliance under a payday model. In designing the policy, we encourage consideration of the quantity of data currently reported and the potential reduction in the SG gap that may occur as a direct result of more frequent payments.

Our response to the consultation questions we have provided below align with these key principles. We welcome the continued engagement from The Treasury and ATO in co-designing the effective implementation of these measures.

Dee McGrath
Chief Executive Officer
Retirement & Superannuation Solutions
Link Group
E: dee.mcgrath@linkgroup.com

Payday super

Defining 'payday'

1. What implementation issues could arise if 'payday' is defined as being each time a payment is made to an employee with an OTE component?

In implementing the definition of 'payday' as outlined in the question, implementation issues may arise due to the Single Touch Payroll (STP) regime and the current administrative limitations employers experience, depending on their payroll solutions, in reporting out-of-cycle pay events.

Currently employers are required to report an STP pay event to the ATO, on or before the 'pay day'. This pay day is the date on which an employer makes a transfer of salary or wages to their employees' financial institutions.

In defining 'payday' for the purposes of identifying a timeframe within which superannuation guarantee (SG) liabilities must be paid by an employer, we suggest it would be consistent to refer to the date on which an employer reports an STP event which includes Ordinary Time Earnings (OTE) components as 'payday' before factoring in relevant administrative timeframes for compliance (addressed in our response to questions 3 & 4, below) with reference to this date.

We have considered the current published ATO guidance for employers around out-of-cycle payments and STP obligations which advises that employers may include out-of-cycle payments in their regular payroll STP events or may report as standalone STP events, depending on the employer's available solution.

If the ATO intends to rely on STP event reporting to identify 'payday' for employers, it may be impractical to monitor compliance if employers are required to pay SG amounts before reporting the STP event for the relevant OTE paid.

2. What implementation issues could arise when more regular SG payments are mandated?

We have considered potential implementation issues broadly and in relation to superannuation funds (funds).

Industry level implementation issues may include:

- system performance issues in response to increased volumes of daily transactions posing a risk to mandated timings of contribution processing, and reporting, and
- the inability for some service providers within the ecosystem to deliver necessary changes consistent with the potential implementation timelines, impacting other stakeholders' abilities to comply.

Fund and administrator specific implementation issues may arise due to potential increases in:

- the demand for employer support (file submission assistance), and in requests for manual refunds from employers to correct overpayments, or payments made to the incorrect Registerable Superannuation Entity (RSE),
- the volume of rollover requests (including duplicate requests for the same member) if new employees need to establish their Choice of Fund after their first contributions have been made,
- the volume of member enquiries in relation to the timing of the payment of their SG, and
- the volume of member contribution matching exceptions.

Further, we expect that the ATO may experience an increase in the volume of stapled fund requests from employers who are unable to allow time for employees to complete a Choice of Fund form before SG payments are due.

Updating the SG charge

Employer payment model

Due date model

3. Are there any advantages or disadvantages with the requirements of payday super being fulfilled if employers make the payment of SG contributions on 'payday' (i.e. the employer payment model)?
4. Are there any advantages or disadvantages with the requirements of payday super being fulfilled if the employee's superannuation fund has received employer contributions a certain number of days after payday (i.e. the due date model)?

In responding to questions 3 and 4, we want to emphasise that factoring in SuperStream data and payment standards, and employer superannuation payment processing timeframes is essential to identifying an appropriate SG charge model.

We also want to highlight that the requirements to ensure contributions are paid to the correct fund and are accompanied with accurate and complete employee (member) identification information (where available) are *current* employer obligations under the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Guarantee (Administration) Act 1992* (SGA Act).

We would not expect that implementing either model for SG compliance purposes would result in amendment to these obligations.

It is our view that the **employer payment model** (where employers are to pay SG on payday + one day) would not be feasible for most large employers within the current SuperStream framework. Current timeframes for employers to prepare superannuation contribution files would be prohibitive to the successful execution of this model.

In this scenario we would expect non-compliance across many employers who are currently meeting their SG obligations. Employers may also need to delay their current pay days to allow for administrative processing timeframes before SG becomes due. In our view, the benefits of the payday policy would be significantly outweighed by the negative impacts of increasing the overall rate of SG non-compliance and delaying the payment of salary and wages.

We have identified little advantage to the model, besides offering clarity for employees as to when payments are expected to be made. While payments may reach funds sooner under this model, an impractical compliance burden throughout the stakeholder chain may see more SG Charges raised, and the routing of contributions through the ATO, instead of directly to the member's fund.

While we do not agree that an additional reporting mechanism is necessary under this model (see our response to question 6), any requirement to implement such a mechanism would also be a significant cost to industry and, therefore, a considerable disadvantage. The move would counter the movement towards a more efficient and productive superannuation payment system.

We have also considered that employer data quality and integrity may further deteriorate under such a model that could incentivise employers to prioritise making payments on time over making payments correctly. The outcomes for funds and members will potentially be delays in allocating contributions, higher funds administration costs, and increases in duplicate/multiple account creations – all of which contribute to poorer member outcomes.

The **due date model**, while preferable, also demonstrates limited consideration of SuperStream and employer experiences in making compliant payments. The 8 to 13 business days referenced in the consultation paper to inform a relevant due date are not reflective of the limitation of the current payment systems alone, but are a consequence of the entire SuperStream submission process.

The advantages of the due date model over the employer payment model include:

- the approach could be consistent across all employers, and pay cycles, and reflect the current quarterly model,

- more clarity for funds and industry when communicating with employers and members as funds often play a role in educating employers on their obligations, and
- it could provide some flexibility and more time for employers to improve data quality (provided the timeframes are not reduced, as suggested, to 3 business days after payday)

A disadvantage of the due-date model is that it remains inflexible to modernising payment systems which may improve processing timeframes in the long-term. In future, this could increase the potential for monies, that could otherwise be immediately contributed to a member's fund, being held within employer's and intermediaries' accounts without risking non-compliance (see question 7).

We suggest there may be an SG charge model that is somewhat of a **hybrid model** of the two proposed models that remains realistic and flexible. Like the employer payment model, a hybrid model could require employers to *pay* SG contributions within a reasonable timeframe following 'payday' (i.e. as soon as practicable but not longer than x days) or following an STP event (as suggested in our response to question 1) through a compliant superannuation clearing house.

The ATO could detect non-compliance with this requirement by using both STP data, and the Member Account Transaction Service (MATS) data currently reported by employers and funds respectively. A reasonable timeframe for some employers to prepare their superannuation contribution file for payment following payday may be as much as five business days. This is in addition to the subsequent financial institution transfer timeframes.

We believe it is reasonable that SG charge would be payable from payday + 'five business days' if, and only if, the ATO detects, through MATS data, that the employer likely did not make the payment on day five.

Similar to the due date model, the ATO could use the current relevant timeframes for processing payments to determine this (e.g. three days for EFT, five days for direct debit), and any future reliance on New Payments Platform (NPP) services could reduce the timeframes referenced by the ATO to detect non-compliance.

We suggest, under any model adopted, that employers be subject to specific record keeping obligations to substantiate that they have complied in submitting data and making payments through a SuperStream compliant gateway provider within the relevant timeframes.

Hybrid model – SG Charge example

	Payday (STP Event + up to 5 business days)	Fund allocation (Payday + bank transfers times + fund allocation)	Payday + Fund allocation + MATS reporting
	SG is paid by employers	SG is received and allocated by funds	ATO detects non-compliance where: 'MATS transaction date' - 'bank transfers time' ≠ or > the reported STP event + 5 business days SG nominal interest is payable from 'Payday'
Maximum	5 business days	+ 8 business days (5 business days (direct debit) + 3 business days allocation allowance)	+ 10 business days (current MATS reporting timeframe)
Minimum	1 business day	+ 3 business days (2 business days (EFT) + 1 business day straight through processing with fund)	+ 2 business days (proposed reduction to MATS reporting timeframe)

5. Should there be a standardised due date for SG contributions depending on different pay cycles, independent of the frequency to when salary and wages are paid?

No response.

6. Would requiring a new reporting mechanism for employers under an employer payment model to the ATO on payday increase compliance burden?

We do not support introducing a new reporting mechanism to report to the ATO, in real-time, the date on which SG is paid by an employer. We believe introducing such a reporting mechanism would provide little value in confirming that the submission is compliant with superannuation data and payment standards, and would not confirm that the contributions are correct, nor that they will be accepted by the relevant funds.

This hypothetical reporting mechanism would also only be relevant to detecting employer non-compliance if reporting occurred at the point in time the clearing house or gateway received funds from the employer that matched the contribution file submitted. This may occur several days following submission of data depending on the employer's payment method (EFT, Direct Debit, or BPAY).

7. How would intermediaries continue to be incentivised to expedite the processing of employer contributions under an employment payment model?

We do not believe incentivising intermediaries to expedite payments is relevant to the success of the employer payment model. Any intermediaries responsible for making superannuation payments on behalf of employers are a service provider, and as it stands under today's quarterly SG regime, it is the employer's responsibility to ensure these services are compliant in making these payments on time.

We believe it is not and would not be commercially viable for intermediaries to behave in a manner inconsistent with the legislative obligations of their employer clients and the standards of the industry. It remains, however, incumbent on those entities procuring such services to ensure that the service standards within their agreements reflect this expectation and any of their legislated obligations.

8. Given reduced payment processing times facilitated by modern payment platforms, is a due date of 3 days after payday for superannuation contributions under a due date model feasible? What would prevent this timeframe?

The current timeframes for superannuation contributions to reach funds (referenced in the consultation paper as 8 to 13 business days) are not a consequence of the Bulk Electronic Clearing System (BECS) alone, and would not be resolved by same-day transfers between financial institutions.

The timeframes also reflect the time employers spend manually processing superannuation contribution files. It can take considerable time and resources for large employers (often several business days and a team of payroll officers), or their intermediaries, to extract, load, and validate their Superannuation Alternative File Format (SAFF) file or other superannuation file type within their chosen clearing house following pay day.

It is currently reasonable to expect contributions to be received by funds within three days of a compliant SuperStream submission having been made through a superannuation clearing house and a matching payment made by EFT, however, that submission may have taken several days to prepare.

Transitioning to the NPP to facilitate same day transactions would likely only reduce payment times by the relevant financial institution transaction processing timeframes (e.g. three days for EFT, five days for direct debit).

It is, therefore, our view, that it is not feasible to reduce the due date for contributions to be received beyond 3-8 business days even if the NPP becomes standard for such transactions (see question 12).

9. What impact would shorter payment timeframes have on clearing houses and other financial intermediaries that facilitate the payment of superannuation contributions to funds?

We expect shorter payment timeframes would require more frequent batching and processing of employer data and payments, faster reconciliations and potentially upgrades to intermediaries' systems to handle increased data validations as well as exception processing.

Funds currently play an active role in educating and supporting employers meet their SG obligations via dedicated clearinghouse support staff, key employer support staff and fund contact centres. Therefore, we expect an increase in fund support requests from employers.

10. Would shorter payment timeframes require regulation of these financial intermediaries to ensure payment timeframes are met?

See our responses to questions 7 and 8. We do not support additional regulation of entities in respect of payment timeframes to achieve employer SG compliance, but we believe that a standard approach from industry is the best approach.

11. How can the payday super model be designed to ensure it can adapt to changes and innovations in payment and data platforms?

See the **hybrid model** proposed in response to questions 3 and 4. We believe that this model could help ensure flexibility in the evolution of payment systems.

12. What are the benefits or risks associated with allowing multiple payment methods and how might this affect payments processing for clearing houses and superannuation funds? Would there be benefit or risks in only allowing one payment platform (such as the NPP)?

Services provided on the NPP infrastructure are not currently equipped to replace BECS, with Authorised Deposit-Taking Institutions (ADIs) currently still working to enable all bank accounts to be reachable by the NPP in order to utilise the current real-time services provided on the platform (i.e. OSKO by BPAY).

While real-time bulk payments between clearing houses and fund financial institutions may be feasible in the near future, we are of the view that it is not prudent to factor the development of a replacement for BECS on the NPP as an essential component of the design of this policy.

Payment methods change at a slower pace with cheques, to be phased out of the Australian payment system by 2030, still circulating in the system. The standardisation of NPP for business-to-business transfers will require a staggered implementation and for organisations to make changes to the way they operate.

The ATO's Data & Payment Standards guidance note 51 highlights an issue with NPP usage in the SuperStream ecosystem as it uses different payment identification fields to BECS, specifically the payment reference number (PRN). There is a risk in a reduction of straight through processing efficiency, which is a fundamental element of SuperStream.

SuperStream data and payments travelling simultaneously would benefit industry in future where NPP has matured. In the short-to-medium term, clearing houses and payroll providers could mitigate these risks by having consistent and stronger reconciliation controls when submitting contributions (where not already in place).

Compliance mechanisms

SG charge assessments

13. What is the appropriate timeframe for ATO reconciliations? For example, fortnightly or monthly? Should the timeframe differ depending on the frequency of payday or would a standard timeframe be more appropriate?

We recommend that the ATO consider a practical standard frequency that does not depend on pay cycles in determining reconciliation timeframes.

For example, it may be an option to undertake a reconciliation on the 20th of the month for all SG liabilities reported in STP events for the previous month (i.e. the 30 days to the 20th), regardless of pay cycle.

The MATS data containing the relevant compliant SG transactions will likely have been reported for all relevant contributions received. MATS transactions are required to be reported by super funds to the ATO within ten business days, however, many funds report more frequently. To further reduce reconciliation timeframes for the ATO, it would seem prudent to increase the frequency of MATS mandatory reporting for funds.

14. Should there be a mechanism whereby employers can pay SG charge they know they have accrued, prior to the reconciliations and assessments being issued? How should this occur?

Currently for an employer to lodge an SG Charge statement they are required to calculate the liability via an excel spreadsheet. This spreadsheet then needs to be uploaded via the Online Services for Business Portal.

The current process is burdensome and time-consuming, and should be streamlined by introducing simplified guidance or a tool to help an employer calculate the SG shortfall (as this is based on salary and wages and not purely OTE) and any interest or fees.

Rectifying underpayments before an SG charge assessment is issued
Tax deductibility and compliance

15. Should the LPO and carry forward of late payments remain a feature of the SG compliance system in a payday super model? Could an alternate system be adopted whereby late payments apply retrospectively to the earliest period outstanding?

We support that the LPO process should continue so that engagement between employers and funds is maintained, and contributions are promptly allocated to member accounts and invested. This aligns to the overall policy objective of Securing Australians' Superannuation.

Government contribution transaction request (GCTR) SG remittances are currently received from the ATO twice a month with recovery and other notices also received for overpayments. If an employer is paying weekly, they may be able to resolve the underpayment more promptly directly with the fund.

We recommend reducing the number of handovers across entities i.e. instead of employer > ATO > fund, it is better for the contribution to travel directly via employer to fund where possible.

16. Should late SG contributions be tax deductible under certain circumstances, for example when an employer amends the SG charge before it is assessed by the ATO?
17. What kind of prompts or nudges could be provided to employers to be aware of and meet their SG obligations on time?
18. Are there more appropriate incentives outside of the LPO to encourage employers to pay SG in a timely manner?

No response.

SG charge calculation

19. Would changes to the SG charge be required to ensure the charge remains adequately punitive for non-compliant employers?
20. Does the current nominal interest rate of 10 per cent per annum adequately compensate employees for the foregone interest that would have accrued in the fund had their super been paid on time?
21. Does a nominal interest charge of 10 per cent per annum remain appropriate in a payday super model? Or are there alternative models that could address different degrees or severity of lateness?
22. How should the administrative component of the charge apply? Is per employee, per ATO reconciliation period appropriate, considering your responses above to the appropriate timeframes for ATO reconciliations?

23. Should the amount of the administrative component of the charge be changed? If so, what is the appropriate amount, and why?
24. Given that the current SG charge is not tax deductible, are there any circumstances where a non-compliant employer should be able to make a tax deduction for the SG charge paid?
25. Are there any other changes to the components of the SG charge that should be considered in the move to a payday super model, in the context of the purpose of the charge? For example, should the punitive aspects of the charge be more proportionate to the size of the non-compliance (that is, the size of the debt)?
26. What should 'additional behavioural penalties' look like in a payday super model?

No response.

ATO flexibility in SG charge remission

27. Would granting the ATO flexibility to remit the SG charge in certain circumstances on the part of the employer risk the integrity of the SG charge?
28. If you consider that the ATO should have some discretion to remit the charge, under what discrete circumstances should this be able to occur?
29. Should any discretion to remit the SG charge apply to the entire amount due or only to certain components? For example, scope could be given to the ATO to remit the nominal interest and administrative components of the SG charge but not the SG shortfall.

No response.

30. Would it be appropriate for the ATO to have discretion to extend the due date for the SG charge? If so, in what circumstances would this be appropriate? Further, what would be an appropriate time period for any extension? Should there be a limit on this?

There may be circumstances beyond the control of employers that would warrant a discretionary extension to the due date for the SG Charge such as:

- when a new employee has not exercised Choice of Fund and the employer is required to check for stapling which cannot occur until an employee/employer relationship has been established OR, where an employee has exercised Choice of Fund however has not yet set up their choice account with their preferred fund,
- when a limited services period has been set during a successor fund transfer, migration or intra fund transfer, or
- when a clearing house or gateway outage has occurred.

There should be standard timeframes of extensions set for given circumstances and, for any circumstances outside of this, there should be an ability through ATO Online Services for Business to be able to request a deferral or exemption in line with the allowances made for STP corrections.

Corrections and errors when paying SG

Corrections and errors for superannuation funds

31. Should employers be allowed to make 'catch-up' contributions due to errors?

It is reasonable for the ATO to factor in the timeframes for a fund to return contributions, and for employers to resolve these errors and recontribute SG correctly (see response to question 48)

SuperStream data quality is a significant issue for funds, and their administrators. Currently, funds can either immediately return contributions that cannot be allocated to a member's account through CTERs or complete exceptions processes to request information from the employers.

Under a payday model, and without significant enhancements to mitigate employer data quality issues, funds may need to reduce the volume of exceptions they can reasonably work through by returning contributions that cannot be reasonably matched to an existing member, and where an MRR is not received (indicating a new default member account) within a shorter timeframe. This could increase the volume of returned contributions to employers requiring 'catch-up'.

32. What would be a reasonable time period to allow employers to make 'catch up' contributions that aligns with the intent to pay superannuation alongside wages? Should this time period differ depending on payday frequency?

We do not recommend defining SG deadlines by pay cycle frequencies as these may vary for individual employers and result in confusion. We suggest identifying payday for SG compliance with reference to STP events (see question 1) instead of pay cycles and utilising YTD figures. Any allowances should be consistent with current STP error resolution timeframes.

33. What are the challenges in correcting SG payments under a payday model? Is this an efficient way for employers to make corrections? Should error messages be standardised across funds?

The current SuperStream data and payment standards include an error code management standard. The challenges with these messages across the industry is their limited use by funds and subsequent limited action taken by employers.

As discussed in the consultation paper, errors can occur in employees or employers transcribing superannuation fund member details across systems. Additionally, not all payroll software utilised by employers maintain current fund USI information per the Fund Validation Service, nor do they perform the necessary validations on contributions files that prevent invalid or incomplete employee data reaching funds.

Data quality is a significant concern for funds, and administrators, and we expect this issue will be exacerbated by payday super if not addressed in the policy design.

Some funds have made significant investments in their own clearing house services for employers to build validations to prevent poor quality, limited, or incorrect data being submitted by employers, however, they cannot control the quality of submissions from other gateways.

34. Is the 20 business day time period for superannuation funds to resolve errors appropriate in a payday super model?

Most contribution exceptions that would require superannuation funds to hold contributions that cannot be allocated beyond 3 business days are related to SuperStream data quality issues.

It is paramount that the data quality of member information is correct and validated prior to being submitted to super funds to reduce the need for funds to rely on the current timeframes to refund contributions.

35. Under a 'due date' model, would it be appropriate for a period of grace to apply after the due date for SG contributions? If so, should the grace period apply automatically? Or should it be applied at the ATO's discretion in certain limited circumstances?

A reasonable grace period should apply automatically and be factored into determining the ATO's SG reconciliation timeframes. Please see above, our response to question 30.

Choice of fund, stapling and employee onboarding

36. Would a digital ATO service simplify the choice of fund process and assist employees and employers to confirm the right super details? What functionality would be required? Would this address issues with data integrity under a payday super model? Should such a service be mandated?

We support the ATO simplifying the Choice of Fund and stapling process collectively. We do not, however recommend introducing an additional direct touch point for employers and employees to engage with as it is likely to be underutilised. We also recommend that consideration be given to the

wide range of payroll solutions currently being utilised across Australia and if developing a solution that can only integrate with a handful of these services is fair and reasonable for employers.

We suggest that the ATO consider developing and co-designing a digital solution with the current network of superannuation clearing houses and gateways so that it can be integrated with SuperStream submissions. By establishing an API that allows the gateways to request and retrieve matched ATO-held superannuation fund membership data, the gateways could use this information to direct employer superannuation payments to the correct funds.

These service providers currently already receive and handle the same personal information and fund membership information about employees that would likely be in scope of this service. We suggest expanding the SuperStream compliance requirements of these providers to mandate integration with the service.

As STP events generally precede payments of SG, the ATO could potentially use the ABN of employer users of the clearing house or gateway connected payroll software to identify and confirm, in real-time, an employment relationship exists in real-time.

This would ensure that member data is only made available through the API where the employment relationship is established.

It may be feasible to establish a solution where gateways withhold fund information from employers and payroll software, and instead provide only matched or unmatched responses. This may further reduce the risk of transfer of personal data to employers, or payroll software not subject to the same information security measures as superannuation clearing houses, and gateways.

We consider that a potential benefit of such a service for funds, administrators, and members is that it ensures funds should only ever receive existing member details that match what they have reported to the ATO via MAAS and MATS, or otherwise, genuine new default member applications from employers. This is likely to help reduce to volume of duplicate accounts and ensure member contributions are allocated promptly.

Additionally, this service may be able to support the consistent use of MRRs to open accounts, and update member details (see questions 33 and 40).

We consider the additional opportunities of an ATO-gateway API service may include;

- allowing employees to complete their 'Choice of Fund' at any time, for any employer, at any point in their employment, by selecting the account on their ATO MyGov Portal, or by directing their superannuation fund to report their choice to the ATO on their behalf,
- allowing employees to switch their Choice of Fund through the ATO or their fund and have this take effect for their next SG payment,
- eliminating the need for employers to collect and maintain employee superannuation fund records within their payroll systems, reducing proliferation of personal information, transcribing errors, the requirements of payroll software providers and barriers to employee onboarding, and
- allowing for more efficient contribution processing following Successor Fund Transfers.

In identifying the potential opportunities, we also recognise the importance of the existing relationships between default employers and funds, particularly in managing insurance, employment status, defined benefit arrangements and other employment-specific arrangements.

Customised clearing house portals and extended SAFF requirements are essential for many funds in managing their members' entitlements, and we do not recommend introducing mandatory changes that would disrupt these arrangements.

In designing any digital solution, the ATO should consider how to mitigate data integrity and quality issues currently experienced by funds in processing contribution transactions, and any additional fraud risks posed to members and funds in the use of digital services.

37. What are the costs and benefits of requiring employers to offer stapling to employees? Are there other changes that could be made to the choice of fund process? Could a digital ATO service reduce the administrative burden associated with stapling?

We support a digital solution, as outlined in response to question 36, to address the issues in employers meeting Choice of Fund and Stapling obligations.

Currently, many employers go to great lengths to ensure they receive completed Choice of Fund forms from new employees before their employment record can be successfully established in the employer's payroll software. For many employers, as identified in the consultation paper, this is due to the mandatory fields within their payroll software, and collecting superannuation fund information has as much to do with enabling the payment of salary and wages, as it does the payment of SG.

As is also addressed in the paper, employers cannot request stapled fund information for their employees until *after* an employment relationship is established (usually by submitting an STP event) so many employers are constrained by the circumstance of their payroll software and SGA Act obligations.

In considering how to alleviate the administrative burden, we suggest it is worthwhile reviewing the requirement for employers to collect and store superannuation fund membership information for their employees. If the obligation to collect this information was removed because a suitable digital service had been established, payroll providers could transition away from mandatory superannuation fields.

We also encourage a review of the need for employees to provide superannuation information to their employers directly when digital channels could be established to provide this information. This could support employees to set their Choice of Fund at any point in time, and to be assured that this is where their SG will be paid by any employer throughout their working life, ongoing, or until such time they change their election.

Similarly, those who don't make an active choice or engage with any digital channels, should be equally assured that the ATO has identified the appropriate stapled fund and that their SG will be paid in the same manner as their active Choice of Fund counterparts.

38. What are the costs and benefits of a ban on advertising super products during onboarding?

We are generally supportive of any measures that help reduce the creation of unnecessary multiple superannuation accounts, and prevent instances where employees are directed or encouraged by their employer, through any channel, to open a particular superannuation account as a required step in onboarding. We are also mindful, however, that services that provide these advertising services to funds, also provide superannuation account lookup services to try to identify existing membership within the same fund.

Services that may be subject to the suggested advertising ban were established or imbedded into existing clearing houses to address employers' needs, in part because of the impractical compliance requirements of stapling. In applying any such ban (which may prove challenging to scope without unintended consequences), we would suggest that the Government should first consider if:

- other measures implemented as part of the Securing Australians' Superannuation policy will address the needs of employers in respect of stapling, and
- in achieving the above, the design of these services will evolve where certain features are made redundant by broader legislative change.

Other payday super issues

SG reporting frameworks

39. How could a smooth transition be managed to aligning STP, SuperStream, MAAS and MATS reporting, either through changing the reporting requirements to year-to-date values or transaction-based reports?

We do not support changes to further align reporting values across existing reported data sets. The current extensive reporting obligations in place were designed independently out of necessity.

As outlined in the consultation paper, the Government is providing \$27 million to the ATO to improve data matching for the extensive reporting that is already in place *prior* to the implementation of payday super.

We would question the cost versus benefit of requiring further investment from the industry to provide changes such as YTD figures in MATS reporting when this data could likely be attained using basic data analytics capabilities.

We support the ATO developing capabilities to identify patterns of SG non-compliance, but suggest that under a payday model, several root causes of SG non-compliance (employer insolvency, and short-term employee disengagement) may be addressed by removing the quarterly deadlines. Other instances of SG non-compliance (non-compliance with STP reporting, other wage theft) may not be able to be detected through the current reporting mechanisms even if they were further enhanced.

Similarly, transaction-based reporting may provide a unique link across STP, and MATS, but we question whether this level of compliance oversight capability aligns with the apparent approach to the ATO's SG compliance activities which may include amnesties, grace periods, allowances for contribution 'catch-ups', and the option for employers to resolve SG underpayments directly with funds.

We strongly encourage the Government to examine the value of a real-time SG database in reducing the SG gap under the payday model and consider if the same overall outcomes can be achieved utilising what is currently reported.

40. How could a smooth transition be managed if additional fields in reporting are made mandatory?

We do not generally support additional reporting fields be introduced across the existing reporting suites unless necessary or where the benefits to members and industry outweigh the investment from industry. We support that currently optional data fields may be made mandatory; however, we note that funds can only report the data with respect to employer details and pay periods if it is actually received.

Transitioning updates to reporting would require extensive consultation, development, and testing with industry.

41. Should a new unique identifier be included as a mandatory field in STP, SuperStream, and MATS which links employers, employees, and transactions?

As outlined in our response to question 39, a unique identifier should only be considered where the ATO is unable to reconcile an employer's SG obligation across existing reporting.

We do not support that it is necessary given the extensive volumes of data the ATO already receive, and the limited additional value this mechanism would provide to detect all instances of SG non-compliance.

We further emphasise the significant cost to industry of the implementation of this mechanism.

42. Are there any issues or consequences with including an employer's SG liability and OTE as a mandatory, rather than optional field in STP reporting?

We consider this change essential to the success of the payday changes. Issues may arise if employers currently report in excess of their actual SG liability in this field (i.e. they also include employer voluntary amounts as per current ATO guidance).

SG contributions for the 2026-27 financial year

43. What is the best mechanism to avoid disadvantaging employees who would reach the concessional contributions cap in 2026-27 due to the accounting of SG contributions in the year the policy commences?

No response.

Maximum contribution base calculations

44. On what period should the maximum superannuation contribution base be calculated in a payday super model? Would there be issues if it remained a quarterly calculation? Are there any other mechanisms that could help prevent employers paying over the concessional contributions cap for employees?

No response.

Defined benefit members

45. Are there any other changes that will be required for defined benefit members?

Defined benefit members should be considered out of scope for this measure due to the nature of contributory arrangements in that these are corporate or public sector funds with many closed to new members.

As the employee and fund relationship differs markedly to accumulation employee and fund relationships (i.e. employer pays to fund as opposed to member account) it is reasonable to expect that DB members are not heavily impacted by SG non-compliance and therefore DB funds should not be expected to make changes to their calculations/formulas.

Self-managed superannuation funds

46. Should there be any changes to the reporting frameworks for SMSFs and/or Defined Benefit funds to the ATO?
47. Are there any other changes that will be required for self-managed superannuation fund members?

No response.

Other issues

48. Are there any other impacts on stakeholders or considerations Government should consider in policy design?

Employer refund and correction requests are currently challenging for funds to administer. Most funds offer a pathway for employers to manually request refunds in the event of an employer administrative error.

Volumes of these requests are likely to increase when SG payments become more frequent, and particularly if the implementation of payday super involves the ATO identifying individual SG transactions per pay cycle, as opposed to reconciling on YTD figures.

We suggest the Government consider the following is imbedded into policy and co-design to potentially mitigate the risk to funds:

- continue allowing employers to reduce future pay cycle SG contributions to offset any previous overpayments of SG (rely on YTD figures), and
- implement a channel in SuperStream messaging for employers to request refunds and make corrections that funds could potentially process through existing response messaging and refund channels.

49. What further changes would be required under the current rules to allow employers to meet payday super requirements?

Contributions that are currently received outside of the SuperStream standard (i.e. via paper/cheque) should be expressly prohibited and returned to the employer by the fund to support compliance with payday super.

On average we receive approximately 6,000 non-SuperStream compliant contributions per month across all administered funds which represents only 0.5% of all contributions received.

We currently receive approximately 300 cheques per month for employer contributions which is less than 1% of all payment methods.

Various campaigns have sought to reduce this by educating employers however, this will not change if the contributions can still be accepted by funds.