Payday Super
Aurion consultation submission

aurion

Version Control

Version	Author	Version Description	Date
1.0	Campbell Jackson Jake Tallon Jason Mackie Manuia Staunton Morgan Cousens	First responses collated for all consultation questions.	30/10/2023

Revision Control

Version	Reviewer	Title	Date
1.0	All members	Aurion Legs & Regs Working Group	02/11/2023

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Introduction

Aurion has been providing Australian business with a range of flexible, compliant and proven people and payroll solutions for over 35 years. We provide software solutions for customers performing their own payroll requirements as well as outsourced payroll services.

Consultation Review Working Group

The group tasked with compiling this consultation response consisted of members of the Aurion Legs & Regs working group – a group that reviews legislative requirements and assesses for impacts to our software and services.

Name	Role
Campbell Jackson	Managed Payroll Services – System Administration Lead
Jake Tallon	Team Leader - Support
Jason Mackie	Product Owner
Manuia Staunton	Managed Payroll Services – Governance & Compliance Lead
Morgan Cousens	Change Manager

If any questions arise upon reviewing this consultation response, we would be more than happy to discuss further. Please direct all queries to the Aurion Legs & Regs chairperson – Morgan Cousens at morgancousens@aurion.com.

Consultation question responses

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?

There will be issues that impact both our software and outsourced payroll service processes. Many employers perform advances to make payments to employees not on pay day. To ensure super is paid when any OTE payment is made to an employee in a 'payday' arrangement, then we would have to move away from advances and instead perform more off cycles. Aurion would need to make off cycle functionality software improvements (and deprecate our advance functionality/process for both our outsourced payroll function and also our Customers).

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

In terms of Software, considerations/changes will be required to make out of cycle functionality improvements and to deprecate advances functions. In regard to non-software changes the impacts are vast. Payment schedules, processes, contract variations, training of teams, governance (checks and balances) processes will need to be created and/or improved.

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)?

Advantages:

- Employees get it straight away, earn more interest.

Disadvantages:

- more admin overhead for payroll processing
- too tight a window, doesn't factor in wiggle room for payroll issues/emergencies etc that can arise.
- what if super portal is down? (Impacts outside of our control)
- increased charges for businesses due to external factors

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)?

Advantages:

- gives us wiggle room for above said issues that may arise, also includes time for clearing house to disburse to funds.

Disadvantages:

- employee misses out on a few days interest based on employer payment model.
- additional effort for employees to check it was paid properly, versus easy to reconcile against pay day date.

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?

We don't feel this should matter when the payment is made, but that it should be a standard number of days after the pay day (eg. +5 days after pay day) across all pay cycle types. This makes it easier to remember for employers and employees.

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

We believe this is already being done as part of STP, but if this needs to appear a separate payload in STP then there could be issues to get this set-up initially across all databases.

This would however help hold clearing houses accountable for paying at an expedited timeframe.

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

Clearing houses may seek to increase costs to guarantee expediting payments, however we would envisage this as being a standard inclusion as part of their service and would expect the ATO to have a list of complying clearing houses that will guarantee expedition of payment as close to pay day as possible.

Potentially, if if the employer payment model is adopted and intermediaries don't forward on payments in agreed timeframes then the intermediary wears the SG charge, this would require backing with legislation to hold clearing houses accountable.

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?

Whilst tight, we believe this should be possible from our own payroll processing perspective however this should be discussed with clearing houses to understand their own limitations.

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

N/A

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

Yes, please see response to question 7.

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

By going forward with the employer payment option then the efficiencies gained by institutions and super funds will naturally flow through to the employees (eg. Quicker payments – same day payments to super funds from banking institutions – means quicker to employees).

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 benefits such as NPP?

Benefits:

- Immediate funds transfer

Risks:

- As a software provider, we would probably need a financial services licence to have NPP

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?

As close as possible to the transaction taking place. We believe having this information asap assists all those to remedy any discrepancies asap. From an employees' perspective, if I was paid weekly I'd want to know asap and not waiting for a longer timeframe.

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?

Yes we believe so. However we would prefer a mechanism to pay missed interest directly to the employee account.

We would prefer this to be able to be done via a portal and not via a form that needs to be filled out and submitted manually.

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?

Yes it should still remain a feature, this keeps everyone accountable however need to be alerting employers immediately .

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?

Yes, that would be welcomed. We would also be hoping a grace period post the initial implementation is also granted.

17. What kind of prompts or nudges could be provided to employers to be aware of and meet their SG obligations on time?

- three warnings before being hit with a fine

- being notified of discrepancies as close to asap so that missed interest doesn't accumulate for too long
- grace period

18. Are there more appropriate incentives outside of the LPO to encourage employers to pay SG in a timely manner?

Sliding scale where the charge increases the longer the payments go unpaid.

19. Would changes to the SG charge be required to ensure the charge remains adequately punitive for non-compliant employers?

Yes.

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?

Yes.

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?

See Q18 - severity of lateness applies based on how long it was left overdue.

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?

Should apply to one overall pay assessment (one per pay cycle even if multiple discrepancies in the one pay cycle)

23. Should the amount of the administrative component of the charge be changed? If so, what is the appropriate amount, and why?

Increases in line with CPI but also increases based on how long the discrepancy is left unrectified.

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?

Yes, that would be welcomed – when we rectify the issue before ATO notifies of discrepancy.

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 noncompliance (that is, the size of the debt)?

Yes, if it's repeated then the charge should increase.

We also support there being a proportionate charge based on certain thresholds (i.e. if it's within 5% of the super payment for that pay period then it's smaller than if it's 90%)

26. What should 'additional behavioural penalties' look like in a payday super model?

Length of time they are late and amount they have neglected should have a sliding scale as stated in earlier questions.

Publicly available list of employers, service providers and intermediaries for repeat offenders (hopefully a name and shame type approach also forces companies to pay it the attention it deserves).

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?

No.

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?

- Employee not forthcoming with super fund details (probably not relevant when super stapling solution is in payroll software)
- Natural disaster
- Clearing house outages / bank outages (disaster recovery)
- Within a set grace period

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.

See Q25, should be proportionate to the amount of shortfall.

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?

Yes, see Q28.

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

Yes.

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?

You need to factor in the rejection from clearing house as it's not instant. Our payroll services will Try to remedy within one but if it could be within 2 pay cycles (weekly within 2 weeks, monthly 2 months) this factors in the clearing house delays.

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?

1. If it's late then you have to pay for the % lost interest (moving target, day when calculated). Waiting on clearing house to be able to remedy.
2. Yes, it's existing process and everyone knows how to perform this process.
3. Yes.

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

No, see above Q32. Doesn't work for monthly pay cycles.

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?

Standardise it across the board so that different due dates don't have to be remembered be employers and employees.

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?

1. Yes.
2. Digital service from ATO where the choice of fund info can be more easily integrated into payroll software products. Instead of printing choice of fund form from mygov – we would support a push from mygov and send to employer based on ABN etc. (Push not pull method)
3. Yes, it would mean less paper, less manual effort and less human errors.
4. Yes – should be mandated and enforced.

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?

As above.

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

Advantages:

- less admin on employees to move funds around.

Disadvantages:

- employees unaware of offers available through other funds
- reduces competition between super funds

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?

There needs to be a common identifier to correlate the info. If it's not TFN, unique id would need to be a new field/new identifier and would prob need an STP file implementation approach where customers could request extensions/deferrals etc to give software time to implement enhancements, data capture, testing etc (rules on how it will be identified etc).

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

See above.

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

We believe the TFN (existing field) should be mandatory.

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?

No, our software already provides both – customers can't choose in our software – we already enforce these being reported.

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?

Improve how superstream reporting links payments to appropriate pay cycles – easier to report which payments apply to which super year cap limits.

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?

Make it an annual figure.

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

No, we believe it would be treated the same as currently, like a grandfather clause.

46. Should there be any changes to the reporting frameworks for SMSFs and/or Defined Benefit funds to the ATO?

No – whatever is agreed to the above should apply to these too.

47. Are there any other changes that will be required for self-managed superannuation fund members?

No.

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

Funding for software vendors to bring in legislative requirements/changes to software. This work does take significant time to design and implement to a high quality.

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

Nothing further other than what has been described previously in this document.