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## **Woolworths Group Submission Securing Australians' Superannuation**

Woolworths Group Limited (**Woolworths**) welcomes the opportunity to provide its feedback to Treasury's Securing Australians' Superannuation Discussion Paper (**the Paper**).

### **Our operations**

Woolworths is Australia's largest retailer by revenue with a store footprint spanning every state and territory. We have more than 1,270 stores in Australia, including 1,095 food stores (Woolworths Supermarkets and Metro Food Stores) and 177 BIG W stores.

We directly employ more than 185,000 team members in our Australian stores, distribution centres and support offices. They work to serve more than 20 million customers in-store and online visits each week.

### **Our approach to superannuation payments**

As Australia's largest private employer, we have widespread interaction with the superannuation system. In the financial year 2023 (F23), we processed 700,000 superannuation payments to over 900 different funds (including self-managed super funds) for around 177,000 team members.

Under current payroll arrangements, the majority of our team members (98%) are paid wages or salaries weekly. Superannuation payments are paid to all team members monthly and reconciled quarterly in line with the current legislative requirements. Moving to weekly remittance of super – in line with the Government's policy intent – will increase our processing volumes to ~9,000,000 per annum.

## **Feedback on the Paper**

We understand the importance of the superannuation system to the long-term economic security and wellbeing of our team members. We support the reform effort to increase the security of the superannuation system, maximise retirement incomes and boost superannuation literacy.

Based on our existing payroll practices, the proposed reforms will create an extra 6 million superannuation payments for us each year. An uplift of this magnitude will require a significant change to the way we run our payroll operations. Accordingly, we encourage the Treasury and the ATO to adopt a sensible phased transition from 1 July 2026. It will take time for businesses to get these changes right and the regulatory priorities should reflect this, particularly in the first 12 months of the new regime.

## Defining 'payday' super / Updating the Superannuation Guarantee (SG) charge

### *Employer payment or due date model*

We favour the existing due date model.

Applying penalties for delays in payment processing caused by an intermediary or a super fund would be unfair to the employer making the contribution. Accordingly, employer obligations should end when they no longer have control over the payment process.

Like many large employers, we use a clearing house to remit superannuation payments. These firms have particular expertise in managing high volume superannuation remittance tasks that we do not have.

Due to their size and scale, clearing houses can deliver more accurate and cost-effective superannuation payment services than would otherwise be possible in-house. This is good for the overall efficiency of the system, but it does increase the time it takes for payments to reach an employee's account.

Many clearing houses provide 'service level agreements' that commit to forwarding funds to employees within 10-14 days. Unless shorter timeframes are mandated through this policy reform, it is difficult to see how large employers could continue using clearing houses and meet a due date model within the 8-13 day range suggested in the Paper.

Conversely, if the reforms were to force superannuation payroll functions in-house, there is a risk they will increase payment processing errors to the detriment of employees. This would add cost to the system as individual businesses operate those functions with diseconomies of scale relative to the clearing houses.

The reform effort should strive to speed up clearing house processing times as payment technologies improve while ensuring they remain viable services to run.

In the absence of reform, we recommend the due date commence at 16 business days from payday. There should be a regulatory mechanism to review the due date annually, so workers can benefit from shorter payment times as new technologies emerge and speed up processing.

### *Stapling*

Currently, the ATO has a 14 day turnaround for bulk super stapling uploads for large employers. If this is not shortened, it would be impossible for large businesses to initially meet a weekly pay run when a new employee does not complete a 'choice of fund' form.

The reforms should provide allowances so employees can resolve these issues with employers before SG charges apply. A grace period in the first three months of employment would be appropriate in these circumstances.

Alternatively, broader reform of the bulk stapling system, such that they can be managed in a more timely and efficient way, could be pursued.

Either way, it would be inappropriate to apply an SG charge on an employer when they are not responsible for the late payment.

### *Pay on termination*

The scheme should permit superannuation contributions to be bundled for pay made in connection with the same event, including termination payments. There should be a link between an employee's 'payday' and the day an employer fulfils its statutory payment obligations. This would allow for any 'out of cycle' pay for terminations to be considered paid in the relevant pay cycle and avoid constant reconciliation.

#### **Recommendations**

**Apply a due date model that provides prompt payments for workers while accommodating the legitimate role of clearing houses in the payments system (16 business days).**

**Ensure the policy does not penalise employers for delays in payment beyond their reasonable control (e.g. errors or delays in remittance by intermediaries or super funds).**

**Provide a three month grace period on SG penalties from employment commencement to allow employers to work through any super stapling issues.**

**Permit superannuation contributions to be bundled for pay made in connection with the same event, including termination payments.**

#### **Compliance mechanisms**

##### *SG charge assessments*

The current legislation provides for quarterly reconciliation, which has the benefit of allowing employers to identify and remediate missed payments or errors. Keeping this timeframe for self-auditing purposes, per the ATO's original design for SG, would be ideal.

If this is not compatible with the overarching aims of the reform, we would recommend a monthly assessment. Under the proposed reforms, we will likely pay superannuation at different frequencies to different cohorts of team members (e.g. weekly for wages and monthly for salaries). As such, it would be simpler to run ATO reconciliation on a monthly basis, when all super payments across the group have been processed.

##### *Tax deductibility and compliance*

Late SG contributions, where a taxpayer makes a voluntary disclosure and pays it before an ATO notification, should be tax deductible. This encourages greater self-regulation and incentivises employers to fix errors voluntarily. This delivers benefits to employees while reducing the compliance task for the ATO.

In line with this, there may be an opportunity to develop a self-serve portal to allow employers to correct any anomalies that show up in the ATO's Single Touch Payroll (STP) reports within the appropriate timeframe.

Additionally, Treasury should consider a safe harbour scheme where employers identify, disclose to the ATO and FWO, and rectify underpaid superannuation entitlements.

### *SG charge calculation*

There is a stark difference between employers who make honest errors and those who deliberately seek to withhold payments for financial gain. The treatment of SG charges and penalties should reflect this.

The Federal Government has amended the Fair Work Act to make superannuation a National Employment Standard entitlement from 1 January 2024. This means employees (or unions on their behalf) can enforce their right to superannuation under the Fair Work Act and through the Fair Work Ombudsman. The deterrent effect of the Fair Work Act changes should be properly considered before new compliance mechanisms are added through these reforms.

The system should provide enough flexibility for employers with complex payroll operations to audit and self-correct errors before SG charges are applied. In our view, penalty charges should not apply when an employer has self-audited, voluntarily declared and fixed a payroll error within 30 days. This would be a powerful incentive for employers to seek and address errors in a timely fashion.

With respect to the SG charge rates, we believe a flat rate per annum is appropriate. However, we would encourage the Treasury to consider linking the annual rate to a benchmark rate of return for top-quartile performing super funds. Adjusting the rate in line with actual market returns each year would be fairer to employees and employers, and better reflect the intent of the charge (e.g. forgone interest).

The current administration fee does not account for the size and complexity of large employers' payrolls. If there is to be an administration fee, it should be set as a graduated flat rate scaling up depending on employee numbers.

The ATO should trial the new payday model for at least 12 months introducing additional penalties. This will allow for a better evaluation of the benefits of the broader suite of policy changes and provide a baseline to better calibrate and measure the effectiveness of penalties in achieving the policy's objectives.

### *ATO flexibility in SG charge remission*

We are supportive of providing the ATO with the discretion to remit the SG charge as this would be consistent with other penalty tax regimes. The ATO could use its discretion in circumstances where the SG amount was detected and self-reported by the employer and where that employer can demonstrate their best endeavours to ensure SG amounts were paid on time. The discretion should cover the notional interest and administrative components.

The ATO should also be given discretion to extend the due date for SG charges for up to 30 days.

### *Corrections and errors when paying SG*

We support 'catch-up' payments to ensure that employees receive all contributions they are entitled to without the need for a shortfall penalty. We believe a reasonable timeframe for catch ups is 30 days.

Currently, there is no scope for employers to reconcile superannuation when there is an overpayment of wages. The system should permit employers to 'set-off' or 'absorb' an overpayment of SG that occurs because of an overpayment as part of a longer-run reconciliation process (e.g. monthly or quarterly).

If the Government opts for a 'due date' model, a grace period should be allowed and it should be applied automatically. This would save both the ATO and the employer time and resources chasing up payments that will ultimately be made.

#### Recommendations

**Permit employers to continue submitting quarterly reconciliations to the ATO for all SG contributions (or monthly at an absolute minimum).**

**Encourage greater self-regulation by allowing tax deductions on late SG where a taxpayer makes a voluntary disclosure and pays it before an ATO notification.**

**Prevent SG penalties from applying when an employer has self-audited, voluntarily declared and fixed a payroll error within 30 days.**

**Consider linking the SG charge rate to a benchmark rate of return for top quartile super funds and review annually.**

#### Choice of fund, stapling and employee onboarding

We strongly support the development of a digital ATO service to simplify the choice of fund process and support the implementation of payday super.

Ideally, we would like a system with a two-way STP reporting feed. This would see us send our STP file through the portal and have the ATO send super and tax data directly back to our payroll system.

As discussed on page 2, stapling is a major barrier to paying new employees promptly and in line with the objectives of the payday super reforms.

It should be the subject of a broader review and reform to make the system work better for all parties.

#### Recommendations

**Establish a digital ATO self-serve portal - in consultation with larger employers - to simplify the administration of the choice of fund process.**

#### Other payday super issues

The Tax File Numbers (TFN) is an existing unique identifier that is already reported across STP, SuperStream and Member Account Transaction Service (MATS). It could be used as a unique identifier instead of creating a new reference and field.

We currently report SG liability monthly in line with our remittance cycle. Our existing payroll software vendor does not currently report ordinary time earnings (OTE), so it would require additional custom functionality to be built. In our experience, payroll software providers do not build new functionality in instances where the ATO lists a field as optional.

If the reform mandates a new field, we may need a further 12 months lead time for the software providers to be able to meet the requirements. The ATO and Treasury should engage with the software providers directly on these issues.

#### **SG contributions for the 2026-27 financial year**

It would be prudent to implement a 12 month grace period on the concessional contributions cap in 2026-27. This will provide flexibility for employers and employees to avoid disadvantaging employees who reach the cap due to unforeseen implementation errors in the first year of operations.

### **Conclusion**

We are supportive of these reforms and want to see the benefits flow to Australian workers in the years ahead. Delivering these benefits will not be simple and will require collaboration right across the superannuation ecosystem.

We are grateful for the opportunity to contribute our perspective as a large employer with a complex payroll operation. If you would like to discuss any aspect of this written submission with our team, please contact Mike Scott, Woolworths Group Head of Public Policy ([mikescott@woolworths.com.au](mailto:mikescott@woolworths.com.au) / 0437 743 001).

We look forward to participating in any subsequent stages of consultation on these important reforms.