INSTITUTE OF FINANCIAL PROFESSIONALS AUSTRALIA

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MEDIA RELEASE

Payday super – let's make it a win for employees and employers

The Institute of Financial Professionals Australia have welcomed the payday super proposal stating it is a win for employees and will result in greater compliance in the superannuation system. But it is also a great opportunity to fix issues with the current system.

Head of Superannuation and Financial Services Natasha Panagis said the association would like to see the superannuation guarantee (SG) system move from the current 'due date' model to a 'pay date' model, and have proposed a SG regime that is similar to the government's 'employer payment model' with a number of key differences.

"The benefit of a pay date model is that it would facilitate the objectives of the payday legislation better, as employers will see the payment of SG as a usual and expected part of paying salary and wages."

Panagis says provided SG contributions are paid out on time, employers should not be liable for penalties that result in delay in receipt.

"As long as employers have made the payment of SG contributions on payday and those payment details are correct, then any delays in receipt that may occur behind the scenes should not impact the employer as they have met their obligation to pay SG to their employee's superannuation fund or to the superannuation clearing house."

Board Member and Chair of the Superannuation Technical and Policy Committee, Phil Broderick, says a fairer and proportionate penalty regime must be introduced to differentiate between infrequent late paying employers and deliberate non-paying employers.

"We recommend the government introduce a graduated penalty regime that is lenient on infrequent late paying employers and is harsh on deliberate non-paying employers. This could be based on the income tax regime. For example, 25% for failure to take reasonable care, 50% for recklessness and 100% for deliberate non-payment."

"This change will see late paying employers not being overly penalised or slugged by late payment penalties as compared to non-payers. Rather, the penalty for late paying employers is proportionate and reasonable."

Summary of our payday super model – key recommendations:

1. Move to a 'pay date' (ie, payment date) model for SG contributions rather than a 'due date' (ie, receipt date) model
2. Introduce a fairer and proportionate graduated penalty regime that will be lenient on accidental or inadvertent non-paying employers and harsh on deliberate non-paying employers
3. Employers who make late SG contributions would pay interest on the late payments rather than the current system of receiving a SG charge assessment
4. Late payments and interest would be deductible (currently they are not deductible)
5. Non-payers would continue to receive SG charge assessments as is the case under the current system
6. Superannuation clearing houses should be regulated so they are obligated to remit SG contributions on time under the pay date model
7. Micro businesses to be exempt from the payday super regime and remain as quarterly SG contributors.

Further details regarding our proposed pay date model can be found in our submission which is available on our website.

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About Institute of Financial Professionals Australia

The Institute of Financial Professionals Australia (originally known as Taxpayers Australia, and more recently Tax & Super Australia) has been serving members for over 100 years and is a leading financial professionals association dedicated to fostering excellence and professional development in the tax, accounting, superannuation, financial planning, and advisor fields. With a membership and subscriber base of over 15,000 practitioners and a strong commitment to advancing knowledge, promoting ethical practices, and providing valuable resources, the Institute of Financial Professionals Australia empowers professionals to excel in their careers and make a significant impact in the financial industry.

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