# The COVID related early release of superannuation – a retrospective look

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August 2022

ASFA is a non-profit, non-partisan national organisation whose mission is to continuously improve the superannuation system, so all Australians can enjoy a comfortable and dignified retirement. We focus on the issues that affect the entire Australian superannuation system and its $3.4 trillion in retirement savings.

Our membership is across all parts of the industry, including corporate, public sector, industry and retail superannuation funds, and associated service providers, representing over 90 per cent of the 17 million Australians with superannuation.

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# 1 Executive Summary

## The early release scheme

The special early release of superannuation for those whose employment has been affected by COVID-19 has highlighted both the importance of superannuation to the financial savings of Australians and also the substantial challenges flowing from changes to the rules applying to superannuation made with very little notice.

*Lessons from the operation of the early release scheme*

The early release arrangements were unprecedented in scope and size, with the magnitude of impacts allowing a number of conclusions to be drawn:

- Superannuation funds have strong liquidity arrangements in place. They were able to cope successfully with a large number of unexpected benefit payments at a time when financial markets were under stress.
- Funds were able to process applications for payments in a very short time frame even though many fund and administrator staff were affected by COVID-19 lockdowns.
- Early release applicants paid a relatively high price for the monies released, both in terms of the impact on eventual retirement savings and in taking a benefit when investment markets were temporarily well down.
- Rates of third party fraud were very low despite the rapidity of payments, indicating that fund processes are robust.
- There are indications that a number of Australians applied for early release even though they were not entitled to do so.
- A proportion of early release payments went to lifestyle items and savings outside of superannuation rather than being spent on essential items.

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# The early release scheme

The Coronavirus Economic Response Package Omnibus Bill 2020 passed the House of Representatives on 23 March 2020 and received Royal Assent on 24 March 2020. Amendments to the regulations to enable certain temporary residents to access their super were registered on 16 April 2020.

The design and implementation of the Coronavirus - Early release of superannuation changes leveraged off the existing Compassionate Release process for superannuation funds.

The legislative requirements came into effect from 25 March 2020 (with applications able to be lodged from mid-April 2020) and were originally set to run until 24 September 2020. The cut-off date was subsequently extended to 31 December 2020.

The changes allowed most eligible employees to submit two applications for up to $10,000 each from their superannuation fund, one application in the 2019–20 financial year and one in the 2020–21 financial year.

Applications were able to be made up to 30 June 2020 for the 2019-20 financial year and from 1 July 2020 until 31 December 2020 for the next financial year.

A large volume of applications, in excess of 3 million over the two tranches, was expected by the Government when the measure was announced, given the extent of COVID-19 (coronavirus) impacts on the community. This number was well exceeded with the extension of the time period in which applications could be made and the extension of eligibility to temporary residents being put in place after the initial announcement.

Individuals were required to apply via MyGov as the primary channel; however a manual option over the phone to the ATO was available for those who could not transact online.

Funds received a digitised determination regardless of the application being submitted online or manually.

The application process was mostly self-assessed. The ATO managed the eligibility criteria with guidelines and messaging for individuals to assess their eligibility together with some post payment reviews. There were warnings to applicants about penalties for making false and misleading statements to deter inappropriate use.

The ATO online form displayed all superannuation accounts that related to the individual. The member could then elect to claim a portion of each account (if there was more than one) up to the value of $10,000 – for example, $5,000 from one fund and a second $5,000 from another fund. No tax was payable on amounts released, unlike most other compassionate release payments.

Where a member made an application and the fund had insufficient money to fulfil the application (perhaps due to the impact of investment returns or deduction of fees and insurance premiums), the member was not allowed to make a second application for the balance from another fund/account in that financial year. They also were not able to seek the balance in the 2020–21 financial year above the $10,000 cap.

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# Who could apply?

## To apply for early release, applicants who were Australian residents had to satisfy one or more of the following requirements:

- Was unemployed
- Was eligible to receive one of a number of listed Centrelink benefits
- On or after 1 January 2020, either the applicant was made redundant, working hours were reduced by 20 per cent or more, or in the case of a sole trader, their business was suspended or there was a reduction in turnover of 20 per cent or more.

Eligible temporary residents also were able to apply to access up to $10,000 of their superannuation until 30 June 2020. No further applications after 1 July were possible for this category of applicant.

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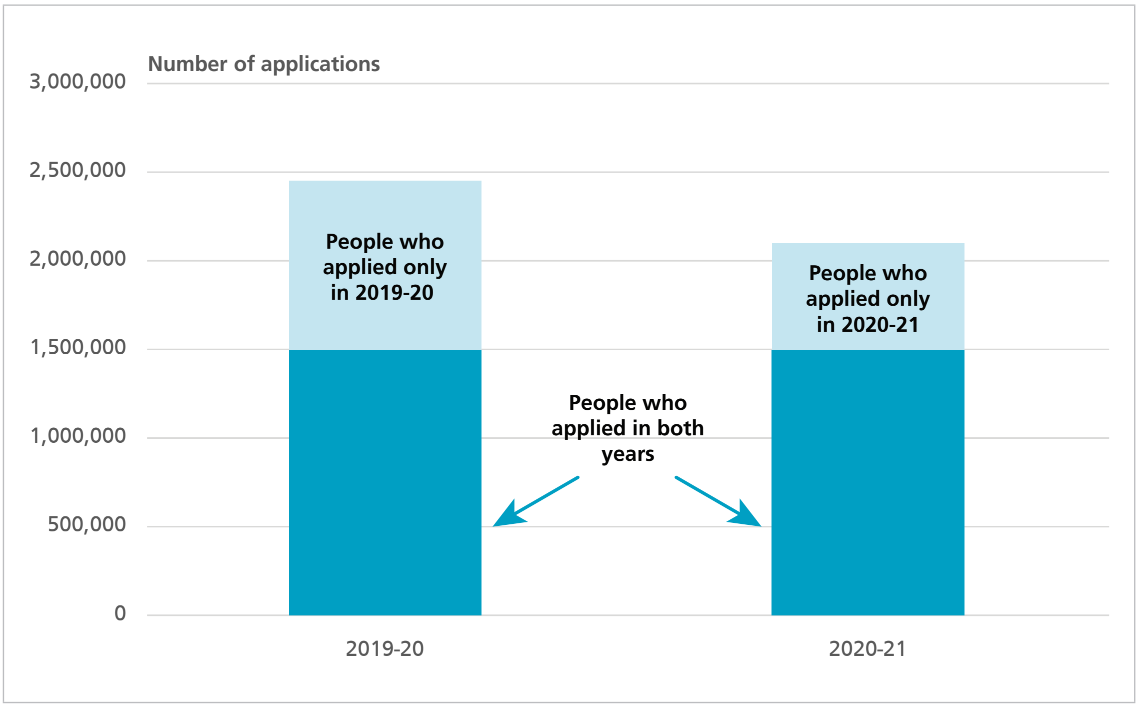
# How many people applied for early release of superannuation?

## Australian Taxation Office (ATO) data indicate that between 20 April 2020 and 31 December 2020, the ATO received 4.78 million applications with a total of $39.2 billion of superannuation requested for early release.

The ATO approved 4.55 million applications for 3.05 million people, totalling $37.8 billion of superannuation requested for early release. The ATO rejected or cancelled 232,000 applications, amounting to $1.4 billion. Cancellations typically involved individuals attempting to make more than one application during a financial year, which was not permitted. Applications were also cancelled when the applicant made an error and did not want to proceed.

954,000 people applied for early release of super in the 2019–20 financial year only (between 20 April and 30 June 2020). 604,000 people applied for early release of super in the 2020–21 financial year only (between 1 July and 31 December 2020). 1,495,300 people applied for early release of super in both financial years (between 20 April and 31 December 2020).

**Chart 1: Number of applications**




Source: See Table 1.

The volume of early release payments had implications for both funds and the ATO. While largely automated, processing of early release applications led to increased administration costs. For instance, the ATO is seeking in 2021 to recover $20.7 million from the supervisory levy for the costs of administering compassionate releases of superannuation, up from $15.3 million the year before. It is worth acknowledging that funds have not levied their members to offset these costs and these have been absorbed in administrative costs.

The take-up rate for early release was substantial given that there are around 14 million people in the labour force (including the unemployed).

The around 3 million individuals who made use of superannuation early release ranks with other very widely available forms of assistance that were provided. For instance, 1.54 million employees benefited from the JobKeeper wage subsidy between October and December 2020, with 3.6 million between April and September.

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# What were the grounds on which people applied?

As indicated by Table 1, the vast bulk (93 per cent) of applications were made by residents, with the most common request category being "reduction in working hours". Unemployment or being eligible for a government benefit were also relatively common request categories.

**Table 1: Applications by residents, 20 April–31 December 2020**

| Request category | Approved applications percentage (%) | Total approved amount for release ($m) |
|---|---|---|
| Had a reduction in working hours | 44 | 18,135 |
| Unemployed | 19 | 6,880 |
| Eligible for government benefit | 18 | 6,645 |
| Sole trader – significant reduction in turnover | 7 | 2,980 |
| Been made redundant | 3 | 1,025 |
| Sole trader – suspended operation | 1 | 455 |
| Eligible for youth allowance | 1 | 150 |
| Eligible for farm household allowance | 0 | 60 |

Source: ATO Program report (20 April – 31 December 2020), **https://www.ato.gov.au/individuals/super/in-detail/withdrawing-and-using-your-super/covid-19-early-release-of-super/#Statisticsonapplications**

Around 7 per cent of applications were made by non-residents (Table 2). Nearly $1.5 billion in early release payments were made. This came at some cost to taxation revenue as usually superannuation payments made to departing temporary residents are taxed at relatively high rates, 65 per cent for working holiday makers and 35 per cent for other visa holders. However, non-residents generally are not eligible for government benefits and this was the only form of income support available to them.

**Table 2: Applications by non-residents**

| Request category | Approved applications percentage (%) | Total approved amount for release ($m) |
|---|---|---|
| Held a student visa for 12 months or more | 3 | 505 |
| Temporary skilled work visa holder | 1 | 320 |
| Other temporary resident visa holders who cannot meet immediate living expenses | 3 | 665 |

Source: ATO Program report (20 April – 31 December 2020).

# 6 Characteristics of those applying for early release

The pattern of applications was influenced by both the personal circumstances of applicants (including their holdings of other financial resources) and developments in the industries in which they were employed.

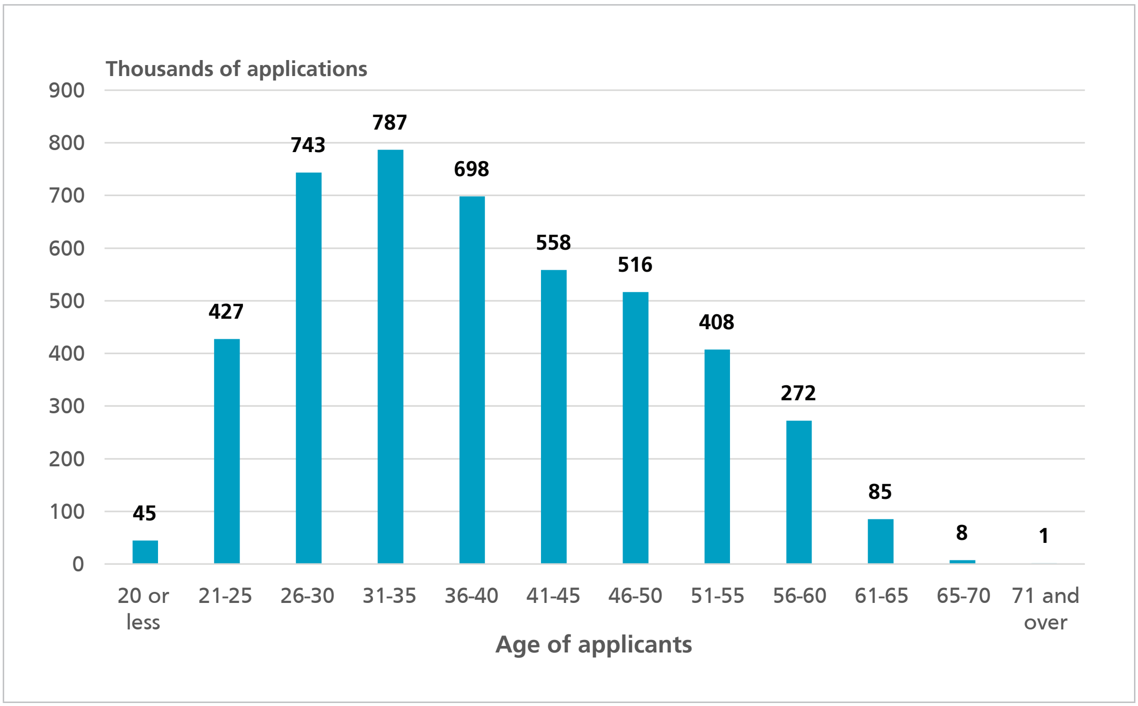
Younger people tended to have both fewer other financial resources and also were more likely to work in industries impacted by COVID related shutdowns or reductions in activity.

For instance, while around 15 per cent of the overall labour force is aged 15 to 24, around 32 per cent of retail employees are in that age group with 45 per cent for accommodation and food services and 27 per cent for arts and recreation. These characteristics of the workforce of affected industries feed into the figures for applicants by age and gender.

As indicated by the data in Chart 2, 44 per cent of applications were made by persons aged under 35. However, those under 35 make up only 41 per cent of wage and salary earners.

The fact that some applications were made by those aged 65 and over tends to suggest that there is not always a good understanding in the community of when superannuation amounts are subject to release without any conditions.

**Chart 2: Early release applications by age band**




Source: ATO Program report (20 April – 31 December 2020).

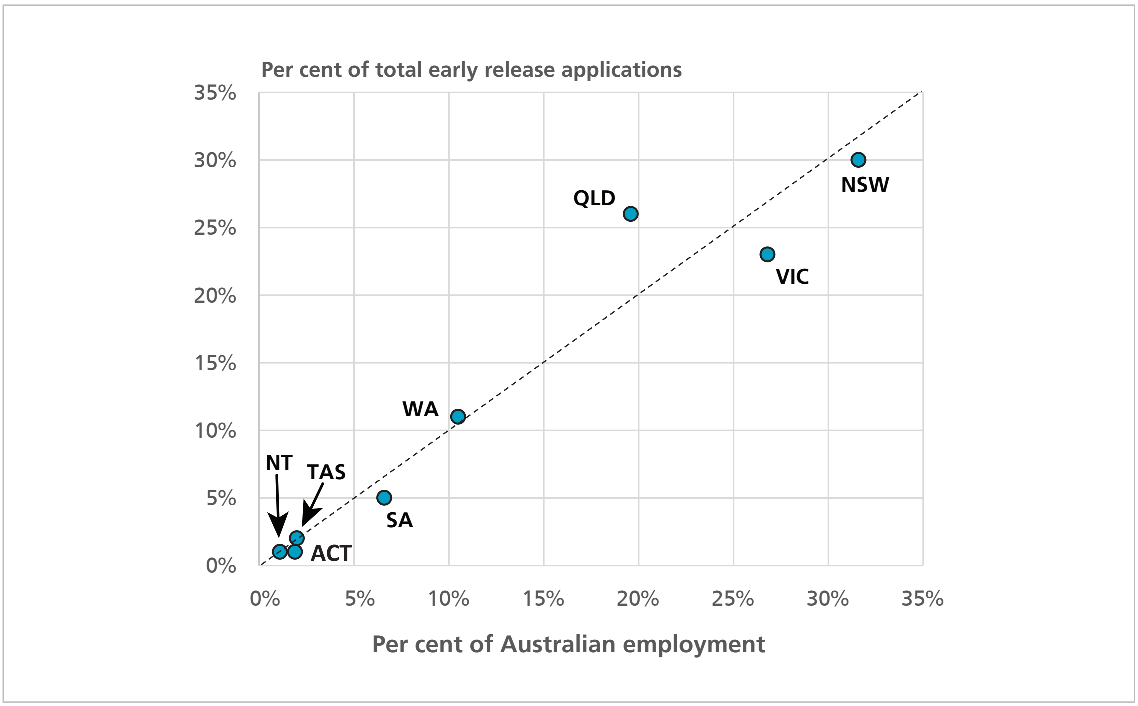
Around 57 per cent of applications were made by males, which is well above the 51 per cent of wage and salary earners who are male. Males tend to be more frequently the primary income earner in a household and a reduction in their employment income can place household finances under stress.

Applications generally followed the level of population of each State or Territory but Queensland appears to have had a higher incidence of applications, followed to a much lesser extent by Western Australia (Chart 3).

The downturn in tourism in Queensland would be a contributing factor, as it would in Western Australia. Queensland has a higher reliance than the Australian average on accommodation and food services, with 9 per cent of employment in that sector compared to an Australian average of 7 per cent. Western Australian also has higher than average employment levels in accommodation and food service.

The Australian Capital Territory had a low incidence of early release applications, reflecting the high level of public sector employment in that Territory with fewer reductions in jobs or hours worked.

**Chart 3: Applicants by State or Territory of residence**




Source: ATO Program report (20 April – 31 December 2020) and ABS Labour Force statistics.

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# The amount left in accounts after the early release payment

Some individuals, especially those in older age groups, had substantial superannuation balances. However, many of the younger applicants did not.

Data collected by APRA indicate that during the two tranches of early release payments, the range of relevant member balances after the early release payment was relatively wide, ranging from remaining balances of less than $1,000 to greater than $500,000.

Accounts with remaining balances of less than $1,000 accounted for 1.08 million payments (or 25 per cent) of payments made to members. Approximately 163,000 accounts were fully depleted by early release payments and closed in the June and September quarters. As expected, remaining balances of less than $1,000 accounted for fewer accounts from which an early release payment was made in tranche two, dropping from 27 per cent in tranche one to 22 per cent.

The cleaning out of accounts was more prevalent for women, single parents and the unemployed. From the pre-COVID period to September, the proportion of women in the lowest income quintile reporting that they had a superannuation account fell by 6 percentage points, while their male peers reported only a 2 percentage point decline[1]. The percentage of single parents with a superannuation account declined by 6 percentage points, from an average of 79 per cent in the pre-COVID period to 73 per cent in the COVID period. For those not in employment, a decline of 10 percentage points was observed from a much lower base, leaving just 45 per cent reporting having any superannuation.

1 Roy Morgan Financial Wellbeing polling, September 2020 reported in https://www.bsl.org.au/research/publications/shocks-and-safety-nets/

# 8 What were early release payments used for?

There are two main sources of data. The first is survey data collected by the ABS for the September quarter 2020 which records self-reported main use of early release payments. The second relates to more granular data drawn from payment data relating to the bank accounts of a sample of individuals who received early release payments.

The ABS data (Table 3) indicate that the main reported use of early release payments was paying off mortgage or personal debt. There also was a significant amount that went to increasing household savings.

**Table 3: Main use of lump sum payment of persons accessing superannuation due to COVID-19**

| | |
|---|---|
| Paid mortgage / rent | 28.7% |
| Paid household bills | 26.5% |
| Paid credit cards / other personal debt | 14.7% |
| Bought or paid off car / vehicle | 5.8% |
| Added to savings | 12.6% |
| Other (Includes purchased food or non-alcoholic beverages, medical services or supplies or other household services / supplies, and assisted family members) | 11.7% |

Source: **https://www.abs.gov.au/statistics/economy/finance/household-financial-resources/sep-2020**

However, the ABS data do not line up well with administrative data. Self-reporting by respondents is likely to have led to considerable under-reporting of receipt of early release payments with the ABS data indicating that only around one million individuals had accessed their superannuation. As well, self-reporting of the main use of funds would tend to generate more worthy destinations for the liberated amounts than was the actual case.

Also, since the ABS data surveys only the main use of payments, it likely understates the use on minor expenditure categories – such as that captured in ‘other’ in the above table. For example, an individual might have used $7,500 to reduce their mortgage and $2,500 to purchase discretionary items. However, the person’s expenditure would be recorded only as ‘paid mortgage/rent’ in the survey.

Other data tell a somewhat different story to the ABS data. Bank transaction data analysed by the advisory firms Alpha Beta and Illion show that many people accessing their superannuation increased spending on lifestyle items, rather than using the cash as a lifeline or paying down high interest rate credit card or other personal debt.

Analysis of the spending patterns of a sample of 13,000 people who accessed their superannuation in the first round of the early release scheme indicated that 64 per cent of spending went on discretionary items such as clothing, furniture, restaurant food, gambling and alcohol. Credit and debit card data shows that early super access recipients, who withdrew on average $8,000 of the $10,000 maximum, spent nearly $3,000 more than normal in the fortnight after receiving the withdrawals.

The two most common spending increases were debt repayments — 14 per cent of the extra spending was used to repay personal debts, including credit cards, buy now pay later bills and other bills — and gambling, which accounted for an average of $327 of the $2,855 in additional spending.

# 9 Investment returns foregone because of early release

Money taken out of a super account today can have long term implications on people's retirement savings. According to ASIC's Moneysmart calculator, a 30-year-old who takes out $10,000 now will have an estimated $21,516 less in retirement (Table 4). If the person takes out $20,000 over both rounds, they could stand to have $43,032 less in retirement, if the money is not replenished.

**Table 4: Estimated reduction to super balance at retirement**

| Age | $10,000 withdrawal | $20,000 withdrawal |
|---|---|---|
| 30 | $21,516 | $43,032 |
| 40 | $17,512 | $35,024 |
| 50 | $14,253 | $28,506 |

Source: ASIC Moneysmart calculator, assumes income of $50k and retirement at 67.

However, the Moneysmart calculations do not take into account the fact that many individuals who made early release applications took out their money at the bottom of the market. From April 2020 to end April 2021 the investment return in typical traditional diversified growth investment options was nearly 20 per cent.

Amounts were withdrawn at various stages over 2020, although the largest amounts were withdrawn in May 2020 and July 2020.

Table 5 calculates the investment earnings foregone through early release. By the end of April 2021 that amount had grown to around $4.8 billion, around 13 per cent of the aggregate amount released in 2020.

**Table 5: Monthly approvals and accumulated value**

| Month | Monthly average investment return | Investment earnings foregone ($b) | Accumulated amount for release ($b) |
|---|---|---|---|
| April 2020 | 3.1% | 0.08 | 8 |
| May 2020 | 2.2% | 0.33 | 15 |
| June 2020 | 0.8% | 0.16 | 20 |
| July 2020 | 1.0% | 0.32 | 32 |
| August 2020 | 1.7% | 0.58 | 34 |
| September 2020 | -0.6% | -0.22 | 36 |
| October 2020 | 0.5% | 0.18 | 36 |
| November 2020 | 4.9% | 1.81 | 37 |
| December 2020 | 1.0% | 0.38 | 38 |
| March quarter 2021 | 3.1% | 1.18 | 38 |
| April 2021 | 2.2% | 0.84 | 38 |
| Total April 2020 to end April 2021 | | 4.8 | |

Source: ATO Program report and ASFA calculations based on reported monthly median investment returns for balanced funds.

# 10 The impact of early release on funds

Early release had a substantial impact on funds, in each of the areas of administration, call centres, and liquidity. As well, additional costs and reduced investment returns impacted on all members in a fund, not just the individuals obtaining an early release of part of their superannuation. Funds are not permitted to charge individuals a fee for making a payment to them.

Over the duration of the scheme funds received 4.9 million applications with a value of $37.3 billion. As at 31 January 2021, 98 per cent or 4.8 million of these applications had been paid with a total value of $36.4 billion. 95,000 applications had been closed or revoked without payment. Less than 8,000 applications (0.16 per cent of total applications received) were still in process at 31 January 2021 – many because funds had been unable to contact applicants to finalise payment.

The vast bulk of applications related to accounts in APRA regulated funds with only 40,000 applications made in regard to SMSF accounts. SMSF account holders tend to be older and wealthier, in many cases already retired.

The applications to the ATO made by individuals led to an even higher number of releases made by funds given that some applicants sought early release from more than one account in their name and/or made both an initial and repeat application. However, in around 90 per cent of cases withdrawals were made from only one fund.

A total of 3.5 million initial applications were approved by funds across the full period of the scheme as well as 1.4 million repeat applications approved during the second application period from 1 July 2020 to 31 December 2020.

In a normal year funds would process around 25,000 compassionate releases and around 80,000 hardship releases. COVID early releases were nearly 50 times that volume.

As shown by Table 6, the top twenty funds, ranked by total applications received, accounted for the bulk of early release payments. AustralianSuper and Sunsuper both received over half a million applications. Rest and HOSTPLUS each received over 400,000 applications, involving around 20 per cent of Rest members and around 25 per cent of HOSTPLUS members.

Cbus also had around 25 per cent of its members seeking early release with the figure for HESTA 20 per cent. Commonwealth Essential Super had around one-third of its members apply for early release.

The relative impact on funds was a product of a number of factors, including the age and financial wealth of members in specific funds and also the industries which certain funds had a particular connection with.

**Table 6: Early Release Applications by main funds involved**

| Fund | Total applications | Initial | Repeat | Total paid ($b) | Total accounts in the fund 2020 (million) |
|---|---|---|---|---|---|
| AustralianSuper | 650,655 | 461,634 | 189,021 | 5.0 | 2.368 |
| Sunsuper | 501,918 | 353,404 | 148,514 | 3.6 | 1.522 |
| Rest | 462,117 | 335,772 | 126,345 | 3.3 | 1.845 |
| HOSTPLUS | 427,259 | 315,000 | 112,259 | 3.0 | 1.302 |
| Cbus | 277,532 | 187,771 | 89,761 | 2.3 | 0.777 |
| HESTA | 227,808 | 161,149 | 66,659 | 1.8 | 0.891 |
| Retirement Wrap | 211,014 | 146,000 | 65,014 | 1.7 | 0.916 |
| MLC Super Fund | 171,099 | 120,189 | 50,910 | 1.3 | 1.121 |
| Retirement Portfolio Service | 141,903 | 102,522 | 39,381 | 1.1 | 0.848 |
| Super Directions Fund | 130,436 | 77,525 | 52,911 | 1.1 | 0.901 |
| Colonial First State FirstChoice Superannuation Trust | 107,980 | 75,101 | 32,879 | 0.9 | 0.711 |
| QSuper | 101,084 | 70,998 | 30,086 | 0.8 | 0.594 |
| Commonwealth Essential Super | 89,150 | 67,898 | 21,252 | 0.6 | 0.203 |
| Aware Super | 91,008 | 59,314 | 31,694 | 0.9 | 1.077 |
| MTAA Superannuation Fund | 70,714 | 48,038 | 22,676 | 0.6 | 0.202 |
| Australia's Unclaimed Super Fund | 66,089 | 59,342 | 6,747 | 0.2 | 0.539 |
| LUCRF | 52,876 | 36,475 | 16,401 | 0.4 | 0.130 |
| Care Super | 50,273 | 35,587 | 14,686 | 0.4 | 0.230 |
| AMP Superannuation Savings Trust | 48,061 | 48,061 | – | | 0.09 |
| IOOF Portfolio Service Superannuation Fund | 44,196 | 30,791 | 13,405 | 0.3 | 0.254 |
| Total for top 20 funds by number of releases (million) | 3.923 | 2.792 | 1.130 | | |

Source: APRA annual fund-level superannuation statistics, https://www.apra.gov.au/annual-fund-level-superannuation-statistics, APRA fund level COVID early release statistics, https://www.apra.gov.au/covid-19-early-release-scheme-issue-36

The challenges faced by funds were exacerbated by both the relatively short period in which funds were expected to process applications and the bunching of applications in specific months. As indicated by Table 7, the busiest months for applications were April 2020 (when applications could be first made) and July 2020 (when it became possible to make a repeat application). The great bulk of applications were approved by August 2020.

**Table 7: Monthly approvals and accumulated value**

| Month | Number of approvals | Accumulated amount for release ($b) |
|---|---|---|
| April 2020 | 995,400 | 8 |
| May 2020 | 878,400 | 15 |
| June 2020 | 579,400 | 20 |
| July 2020 | 1,399,600 | 32 |
| August 2020 | 254,600 | 34 |
| September 2020 | 154,000 | 36 |
| October 2020 | 99,700 | 36 |
| November 2020 | 85,400 | 37 |
| December 2020 | 101,700 | 38 |

Source: ATO Program report (20 April – 31 December 2020).

Funds and fund administrators faced very significant operating and financial challenges in 2020 but remarkably were able to respond to those challenges.

Lockdowns and other restrictions meant that funds had to quickly change the way they worked, with many employees of funds and of fund administrators moving to working from home.

As well, during 2020 the superannuation industry faced significant liquidity management challenges due to three factors that arose simultaneously:

- increased propensity of members to switch out of more risky (and so generally less liquid) investment options
- funds' increased need for liquid assets to meet margin calls on hedges (held to reduce foreign currency risks)
- the temporary relaxation of the system's preservation rules, that is, the Early Release Scheme.

In response, superannuation funds substantially increased their liquidity: aggregate cash balances increased by $51 billion over just the March quarter 2020. A portion of this was subsequently unwound as funds made early release payments. This accumulation of cash occurred in an environment of heightened demand for liquidity across the financial system and reduced depth in various markets.

To fund the move into cash, super funds were sellers of bonds, foreign equities and equity units in investment funds.

The Reserve Bank has observed that these events showed that funds were able to manage liquidity well in fairly extreme circumstances[2]. However, as central banks and prudential regulators are prone to do, the RBA has suggested that some aspects of funds' liquidity management plans could be updated.

Around half of the increase in superannuation funds' cash holdings over the March quarter 2020 was due to members choosing to switch from higher-risk investments into cash. While this was equivalent to only around 1½ per cent of funds under management (FUM) for the system as a whole, it was substantially larger for some superannuation funds. Data collected by the RBA from 30 funds show that these flows were as high as 3 to 4 per cent of FUM for several large funds and 8 per cent for one medium-sized fund. The size of these flows was larger than during previous market dislocations – including the global financial crisis.

Some commentators suggested that certain funds had not appropriately priced unlisted assets. However, as it turned out individuals who moved early from investment options with a heavy exposure to equities, including unlisted equities, to more conservative or cash options were the ones who crystalised losses and then had limited exposure to the strong investment returns of equities when markets recovered.

The higher level of liquidity in the form of cash that funds put in place had implications for all members of funds, not just those who switched investment options or took an early release payment. The reason for this is that it in part involved the sale of listed equities at a time when share prices had substantially decreased.

2 https://www.rba.gov.au/publications/fsr/2021/apr/box-c-what-did-2020-reveal-about-liquidity-challenges-facing-superannuation-funds.html

# 11 The extent of detected fraud in early release applications

The risk of fraudulent activities within superannuation funds was significantly heightened during the early months of the pandemic for a range of reasons, including the high volume of transactions under the early release arrangements and the changed workplace environment (where people were working from home for extended periods).

Fraudulent activities did occur during the very early period of applications, including identity theft and compromised logins to myGov accounts. However, according to APRA as at the end of October, reported fraud events were able to be contained to 1,703 (0.04 per cent) of the 4.5 million payments to members. Messages by email or text from funds to account holders when payments were being made helped identify unauthorised transactions.

As well, a number of instances of potential fraud were detected before payments were made, further containing actual fraud impacts. In some cases where payments had been made, payments were reversed before any monies were withdrawn from the bank accounts concerned.

The application process was largely one of self-assessment with funds being strongly encouraged to make payments as soon as possible. There was no requirement on funds to be satisfied that an applicant actually satisfied the required grounds for early release.

In June 2020, the ATO commenced analysis of applications for early release submitted in 2019–20 to inform its post-issue compliance strategies.

The ATO has a variety of data sources that allow it to check for claims made incorrectly. This includes Single Touch Payroll (STP), income tax returns, information reported by superannuation funds and third party data from agencies including Services Australia and Home Affairs. For example, through STP the ATO has real time information on whether people are employed and how much they are being paid.

Behaviours that attracted the attention of the ATO included:

- applying when there was no change to regular salary and wage or employment information
- making false statements to meet the eligibility criteria
- temporary resident applicants attempting to apply as a permanent resident or citizen after 1 July 2020
- withdrawing and recontributing super for a tax advantage.

By 15 June 2020, the ATO reached a high degree of confidence with respect to the eligibility of around 70 per cent of applicants for early release; and lower confidence with respect to the eligibility of the remaining applicants.

By 31 July 2020, the ATO assessed that around 90 per cent of applicants in 2019–20 had been eligible to apply; and that 800 applications (under 0.02 per cent of applications) were affected by fraud. It was also assessed that under 1 per cent of applications were made by individuals who were not eligible. The ATO assessed that around 10 per cent of applications (over 300,000) were potentially ineligible, but that there was a low level of confidence in that figure[3].

A variety of penalties can apply to claims that have been made incorrectly[4]. For instance, if an applicant provides false or misleading information they can face penalties of more than $12,000 for each false and misleading statement. Amounts incorrectly obtained through early release also can be subject to tax at the marginal rate of the applicant.

As at 17 August 2020 compliance (eligibility) assessments had been commenced by the ATO, but no penalties were imposed at that stage. The ATO has indicated that a closure report on administration of early release was expected to be completed by March 2021. The closure report provides the ATO management with a range of information on project performance, conformance with legislative and other requirements, and lessons learned.

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3 https://www.anao.gov.au/work/performance-audit/the-australian-taxation-office-management-risks-related-to-the-rapid-implementation-covid-19

4 https://www.ato.gov.au/Individuals/Super/In-detail/Withdrawing-and-using-your-super/COVID-19-Early-release-of-super—integrity-and-compliance/

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