

Submission Reference: 2015/25

18 September 2015

Simplifying and reducing the harshness of the superannuation guarantee charge

In this submission we agreed that some of the superannuation guarantee charge penalties are, arguably, overly harsh. Notwithstanding this we pointed out that there is significant non-compliance with Superannuation Guarantee (SG) obligations contributing to poorer retirement outcomes for thousands of employees.

We provided a report prepared by Tria Investment Partners for CBUS, AustralianSuper and REST with contributions from ASFA, which highlights the very high level of SG non-compliance in Australia. The key findings of the report are:

- SG non-compliance is a \$2.5 billion per annum problem
- Around 650,000 Australians are affected by SG non-compliance annually – 6.5% of the workforce
- Australians affected by non-compliance lose an average of \$3,750 per annum in SG contributions – 9 months' worth for someone on average weekly earnings, more for low income earners
- For every year someone is affected by SG non-compliance, their retirement income (ex age-pension) is reduced by around 2% on average
- This is magnified for the low income and younger members most at risk; an average 25 year old impacted by SG non-compliance for 5 years loses 14% of their retirement income - \$8,000 per annum.
- By far the most significant source of SG non-compliance is employer non-compliance.

We argued that the proposed changes contained in the *Superannuation Guarantee Legislation Amendment (Simplification) Bill 2015* should only be made if additional resources are provided to the Australian Taxation Office to detect breaches of SG obligations and to pursue associated required payments by employers.