



Australian Government

**Department of Industry
Tourism and Resources**

GPO Box 9839
CANBERRA ACT 2601

GPO Box 9839
Canberra ACT 2601 Australia

Phone: +61 2 6276 1300
Facsimile: +61 2 6276 1335

Email: sue.weston@industry.gov.au
Web: www.industry.gov.au

ABN: 51 835 430 479

Mr Peter Hallahan
Committee Secretary
Senate Economics Committee
Department of the Senate
Parliament House
Canberra ACT 2600

Dear Mr Hallahan

**SENATE INQUIRY INTO TAX LAWS AMENDMENT
(SUPERANNUATION REPORTING) BILL 2004
- SUBMISSION FROM DEPARTMENT OF INDUSTRY, TOURISM AND
RESOURCES**

The Office of Small Business would like to put forward this submission to assist the Senate Economics Committee in its inquiry into the Tax Laws Amendment (Superannuation Reporting) Bill 2004.

The Office of Small Business is located within the Department of Industry, Tourism and Resources and has a charter to provide policy advice and support to the Government on small business issues. One of its key roles is to consult with small businesses and their representative bodies on issues of concern and pass those views on to the Government through our portfolio Ministers.

Through these consultative processes it has been made clear to the Office of Small Business that small businesses object to the superannuation reporting requirement that came into effect from 1 July 2003 as part of the quarterly superannuation regime.

For example, the Government's Small Business Council, which comprises twelve small business operators (refer Attachment) who provide advice to the Minister for Small Business and Tourism on small business issues, expressed strong opposition to superannuation reporting. Similarly, members of the National Small Business Forum, a meeting of the Minister for Small Business and Tourism and industry body representatives, have raised superannuation reporting as a significant concern.

Many key industry bodies, including the Small Business Coalition, the National Farmers' Federation and Restaurant and Catering Australia have also argued against the need for superannuation reporting.

The Government's announcement to remove the superannuation reporting requirement in its July 2004 small business statement, *Committed to Small Business*, was roundly welcomed by small business operators and their representative bodies. The *Tax Laws Amendment (Superannuation Reporting) Bill 2004* would put that commitment into effect.

The superannuation reporting requirement was a new obligation imposed on small businesses under the *Taxation Laws Amendment (Superannuation) Act (No. 2) 2002*. It was introduced with the good intention of supporting the administration of the Superannuation Guarantee system by encouraging employer compliance through the early identification of non-compliance and enhancing employees' sense of ownership over their superannuation accounts.

However, the evidence from small business is that this objective is an added cost and inconvenience to employers, particularly those with a high number of itinerant and casual workers. It has created a new regulatory obligation which many small business operators believe is unnecessary and unwarranted.

Specific concerns expressed by small business with regard to this new obligation have been that:

- Employers with a high casual or itinerant workforce face difficulty in locating those employees to meet the reporting obligation. For example, backpackers work for a few weeks for one employer and then move on, but often they have no permanent address.
- Employers who currently report to employees prior to making contributions do not meet the reporting requirement. This is because the report is a statement of payment rather than an obligation to pay.
- There is additional paperwork (and expense) for employers. A written statement needs to be provided to each employee each quarter.
- In many instances, the employer's report duplicates the reports provided by the superannuation fund to its members.

A key aim of introducing quarterly superannuation reporting was to ensure that contributions are actually made by the employer on behalf of the employee. However, requiring the employer to report this does not necessarily provide this guarantee. It has been argued by small business that the only real guarantee that contributions have been made is confirmation from the superannuation funds, which are already required to report to members at least annually, and that superannuation funds are better placed to provide this information accurately and reliably. The employee has more definitive advice of contributions made on their behalf in information generated by the superannuation fund rather than the information provided by the employer.

In addition, there are a number of provisions in Australian Government and state legislation that already require some employers to report superannuation contributions on payslips.

The compliance burden on employers involves setting up new employees on the superannuation reporting arrangement as well as ongoing quarterly reporting for each and every employee. It has been estimated that employers would spend 15 minutes per employee meeting the quarterly report requirements. The costs for the employer have been calculated to be approximately one hour and \$50 per annum per ongoing employee. There are additional costs where the employer decides to purchase payroll upgrades that facilitate payment or other new systems.

It is our understanding that there are very few payroll systems in Australia that can notify the employee after the superannuation contribution has been made. Therefore, reporting in many instances has to be manually generated. Payroll systems are currently set up to provide this detail on the payslip, which is generally sent to the employee before the payment is made. Software manufacturers are seeking to incorporate this function into future programs, however this will involve a cost to the employer. Further, this does not solve the problem for the many small and micro businesses that do not use electronic payroll systems.

I hope that this information will be of assistance to the Committee.

Yours sincerely

Sue Weston

Sue Weston
Head of Division
Office of Small Business

3 December 2004

SMALL BUSINESS COUNCIL**MEMBERSHIP****Chair**

Ms Kim Tunbridge: Founder and Chief Executive Officer of Jungle Management Pty Ltd, a law firm which provides legal solutions in the sales, marketing, advertising, media, entertainment, information technology and creative industries. Jungle Management endeavours to improve the way creative businesses do business by introducing concepts of legal risk management and the protection of creative assets.

Members

Mr Paul Adler: Co-founder of Invizage Technology a company that provides outsourced IT solutions to small and medium enterprises. Mr Adler is the Director of Client Solutions at Invizage Technology which won the 2002 Telstra and Victorian Government Small Business of the Year.

Mr Bruce Fadelli AM: Managing Director of Bromavic Properties Pty Ltd. Mr Fadelli has extensive experience in small business in the fields of civil engineering, property development, transport, tourism, retail and international trade. He was made a Member of the Order of Australia on 26 January 2001 for service to the development of business relations between Australia and Indonesia.

Ms Amy Lyden: Ms Lyden was the National Winner in the 2002 Telstra Small Business Awards – MicroBusiness Category and launched Bow Wow Meow in 1995. The company is a leading producer of fun and functional name tags for pets. Ms Lyden has extensive experience in business establishment, including the preparation of business plans, financial budgets, products and systems development, public relations, management of market planning and Internet marketing strategies.

Mr John Malkovich: Manager and Senior Recruitment Consultant at Staffing and Office Solutions (SOS Recruitment). Mr Malkovich has experience in financial management, contract and information management, risk analysis and quality assurance.

Mr Ken Porter: Tourist Park and General Store Manager at the Wallace Rockhole Tourist Park. Wallace Rockhole is a Western Aranda Aboriginal community located 120 kilometres west of Alice Springs along the James Range. The Park also operates a market garden and stock camp.

Mr Peter Searle: Director SSS Roof Scaffold, Victoria. Mr Searle developed SSS Roof Scaffold, a scaffolding system which provides a safe system to allow tradespeople to work securely above any sloping roof surface. This system won a HIA Innovation Award and a Yellow Pages Business Ideas Grant in 2002.

Mrs Alison Stubbs: General Manager of Freycinet and Strahan Adventures. Freycinet Adventures is a multi-award winning ecotourism operation that delivers a range of sea-kayaking and adventure activities throughout Australia. Mrs Stubbs is committed to the development of a successful small business and the overall sustainability of the tourism industry.

Mrs Annette Sym: A successful author and small business operator. Symply Too Good To Be True Pty Ltd is a multi-million dollar home-based business publishing and distributing a range of cook books. Mrs Sym is also a trained speaker who mentors and coaches others to improve their quality of life.

Mrs Leanne Wesche: Former National Director of Marketing and General Manager of Parilla Holdings Pty Ltd, which traded as The Sprout Factory. Mrs Wesche has extensive experience in SME business management, including marketing and promotions experience in the food industry, research development, export, quality assurance, mentoring and business coaching.

Mr Craig Wickham: Managing Director of Adventure Charters of Kangaroo Island, an organisation providing high-quality, personalised wildlife adventure and natural history tours on Kangaroo Island. Mr Wickham works with the tourism industry to raise the standards of hospitality and promote activities that are both environmentally and economically sustainable.

Mrs Heather Woodward: Managing Director of the Smithton Haircare Studio. Smithton is the commercial centre for the Circular Head District in the far north west of Tasmania. Mrs Woodward currently employs nine staff and has dramatically increased the turnover of the business since its inception in 1993.