

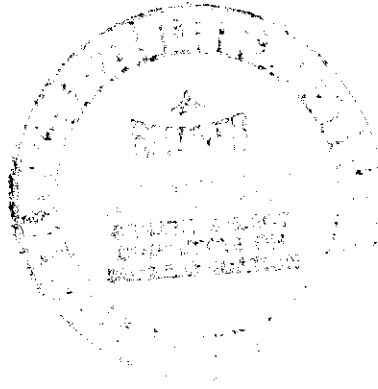


**Senate Select Committee on
Superannuation and Financial Services**

**Main Inquiry
Reference (c)**

Submission No. 15 (Supplementary Submission)

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NATIONAL
FARMERS'
FEDERATION
AUSTRALIA

8 March 2000

Ms Sue Morton
Secretary
Senate Select Committee on
Superannuation and Financial Services
Parliament House
CANBERRA ACT 2600

Dear Ms Morton

**SUPPLEMENTARY SUBMISSION ON SUPERANNUATION AND
FINANCIAL SERVICES**

We are pleased to enclose the National Farmers' Federation supplementary submission regarding the major inquiry that the Committee is undertaking concerning superannuation and financial services. Of course, we lodged our principal submission on 1 February 2000.

Richard Calver, Director of Industrial Relations or his assistant Mary Patsiatzis will be in touch with you in the near future to confirm a date for NFF to provide oral evidence regarding the issues raised in the enclosed submission and the principal submission.

Kind regards

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NATIONAL
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National Farmers' Federation

**Supplementary Submission to
the
Senate Select Committee
on
Superannuation and Financial
Services
on
the Superannuation Guarantee
Charge, its Enforcement and
Prudential Supervision and
Consumer Protection for
Superannuation**

March 2000

**Prepared by
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1.0 Introduction

National Farmers' Federation (NFF) lodged its principal submission to the Committee on 1 February 2000. This supplementary submission provides further information to the Committee on the issue of the voucher system mentioned in section 4 of the principal submission and on the issue of enforcement of the SGC.

2.0 Superannuation Guarantee Charge Enforcement

- 2.1 In a media release that was issued on 1 February 2000, NFF outlined its general policy on superannuation that was reflected in the principal submission (copy of the media release attached as A). We stand by the proposition in that release that the enforcement of the SGC, plus the requirement to also meet contractual obligations to employees, has the capacity to create severe financial hardship for employers. However, the example that then follows which contains the statement that the ATO had "recently bankrupted" a Western Australian shearing contractor is not correct. We had discussions with the ATO following the issue of the media release. The ATO, whilst dealing within the limits of confidentiality regarding specific cases, made it clear that the ATO's actions did not lead to the bankruptcy of the shearing contractor. The event, in addition, was not recent. We undertook to the ATO to correct this matter as NFF had relied upon the Australian Primary Superannuation Fund for the quoted example.
- 2.2 More importantly, this submission provides the information that was urged to be collected from the ATO – paragraph 4.4 of our principal submission refers. To be clear, NFF stated in the principal submission that the extent to which the voucher system is not working could be gauged by the ATO reporting the number of vouchers that have not been redeemed by employees. Those statistics are now to hand. The ATO informed us that

part of the publication *Taxation Statistics 1997-98*, in fact contained statistics about superannuation to July 1999. A discussion by the ATO of the superannuation guarantee voucher system occurs at page 77 of the Internet copy of that publication. The following appears:

“At 2 July 1999, a total of 532,340 vouchers had been issued. These vouchers were valued at \$164.4 million. Almost half of these (46%), valued at \$97 million, had been redeemed. In 1998-99, \$36 million worth of vouchers were redeemed, compared to \$27 million in 1997-98. This could be attributed to the public recognising the value of these vouchers and importance of contributing to their superannuation.”

Then follows a most illuminating table.

Total superannuation guarantee vouchers issued²

	Vouchers	Value
	No.	\$m
Vouchers issued and claimed	248 598	97.0
Vouchers issued and unclaimed	283 742	67.4
Total	532 340	164.4

These statistics reveal the abject failure of the voucher system with \$67.4 million of monies that should be utilised for retirement being unredeemed. This amount represents 41 percent of the value of all vouchers issued under the scheme and is a tragic waste of resources. The statistics do not substantiate the ATO assertion that the public recognises the importance of the vouchers. The table shows that 283,742 vouchers have been unclaimed; in fact more vouchers have been unclaimed than claimed!

3.0 Conclusion

\$67.4 million of employer's money destined for employees' superannuation has not been allocated for its intended purpose. This is an area crying out for reform and emphasises the importance of the

¹ <http://assist.ato.gov.au/content.asp?doc=/content/Corporate/taxstats9798.htm>

² Ibid Table 9.1 as at 2 July 1999



recommendations made in the NFF's principal submission. We ask for the opportunity to expand on that point in oral evidence.

News Release

1 February 2000
NR 9/00



NATIONAL
FARMERS'
FEDERATION
AUSTRALIA

SUPER LAWS RIDDLED WITH COMPLEXITY

The National Farmers' Federation says the current superannuation laws are riddled with complex rules which reduce their fundamental purpose of accumulating sufficient capital for retirees.

In submission to the Senate Select Committee on Superannuation and Financial Services, NFF addresses problems experienced by farmers relating to the Superannuation Guarantee Charge, its enforcement and prudential supervision, and consumer protection for superannuation.

The Chairman of NFF's Industrial Committee, Alan Bowman, said the SGC legislation was an example of a regulatory regime both difficult in concept and administratively onerous.

"The SGC rules also change at a rate that is unsettling. While these considerations remain real and emphasise the systemic faults of the SGC scheme, NFF has accepted that the scheme has become institutionalised", Mr Bowman said.

"It is the perception of many farmers and other rural people as employers that the burden of compliance with Awards, taxation administration, discrimination laws, workers compensation, occupational health and safety and, of course, the SGC is excessive", he said.

"NFF believes that the SGC should continue but in modified form. NFF rejects calls from the superannuation industry for a lifting of the SGC employer rate from the current maximum proposed 9 per cent of wages. In Australia, at present, it seems that merely raising the SGC percentage rate will accelerate the trend to early retirement, and a running down of assets ahead of achieving the right to receive the age pension".

"Our submission points out a fundamental problem in the rules for enforcing superannuation compliance. An employer who pays the SG charge instead of making superannuation contributions will not be discharged from the obligation to provide superannuation contributions under the relevant award", Mr Bowman said.

"However, it's not commonly understood by some small businesses that the payment of the SGC will not extinguish the separate civil liability created by Award or contract of employment obligations", he said.

"The enforcement of the SGC, plus the requirement to also meet contractual obligations to employees, has the capacity to create severe financial hardship".

"The Australian Primary Superannuation Fund has told NFF that a West Australian shearing contractor was recently bankrupted, after being forced by the Tax Office to not only pay backdated superannuation contributions, but also the SGC plus administration fees and interest", Mr Bowman said.

"Situations such as these could be avoided and compliance made easier if relevant shortfall payments could merely be made to the appropriate fund by the recalcitrant employer, rather than to the Tax Office, and the legislation then deem such payment to have satisfied the SGC", he said.

For further information:

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