



Superannuation Contributions

Policy Background

Superannuation is now the largest financial asset many Australians have after the family home. The superannuation system has accumulated over \$2 trillion in assets, making it the second largest part of the financial system.

Compulsory superannuation via the superannuation guarantee (SG) was introduced in 1992. It provides for a percentage of an eligible employee's remuneration to be directed into a superannuation fund by means of a compulsory employer contribution.

Over the years, the SG rate has been increased from the original 3% to the current 9.5%. Superannuation coverage now extends to approximately 90 per cent of employees and is an established 'workplace right'.

The rate was scheduled to increase to 10% in 2015 and up to 12% by 2017. The increase was to be entirely funded by employers, with no off-set or subsidy. However, in 2014 the Coalition Government locked the rate at 9.5% until 2021.

Policy Issues

The requirement to pay superannuation has imposed additional red tape costs and monetary costs upon businesses in the residential building industry.

It is also an area of confusion, especially for small business. The Superannuation Guarantee (Administration) Act 1992 (the SG Act), is not simple to follow and the obligations imposed on employers under it are complex. The SG Act has also been consistently amended on a fairly ad hoc basis since its introduction.

A particular source of confusion about superannuation obligations is the treatment of contractors. Distinguishing between employees and independent contractors for the purposes of superannuation can be a complex and difficult task as the SG Act moves beyond well understood common law principles by deeming that 'labour only' businesses are employees for the purpose of superannuation.

The resolution or determination of the status of a worker for superannuation purposes may sometimes occur on a timeframe outside the required lodgement and payment periods.

Another policy issue relates to whether or not compulsory superannuation should be extended to the self-employed, including independent contractors. To date, compulsory superannuation contributions have not extended past 'employees', largely on the basis that many self-employed persons consider the value of their business to be their retirement savings.

HIA's Policy Position on Superannuation

1. Government policies and programs should support and promote home ownership and housing investment as a direct means of funding retirement.
2. HIA opposes proposals to increase compulsory contributions if they are to be funded by employers.
3. HIA opposes proposals to extend the superannuation contribution guarantee charge to self-employed persons and independent contractors other than via providing incentives for such persons to make contributions on a voluntary basis.
4. To reduce compliance costs, increase certainty and help to overcome the problem of unwitting non-compliance, the deeming provisions of the Superannuation Guarantee Act should expressly adopt the 'results' test set out in Division 84 (Alienation of Personal Services Income) of the Income Tax Assessment Act 1997 and exempt compulsory employer contributions for independent contractors who satisfy that test.
5. HIA supports improved certainty and consistency in the taxation of superannuation contributions and withdrawals.
6. HIA supports government education and promotion programs to ensure maximum take up and the effectiveness of any initiatives that are:
 - a) available to employers to increase workplace participation levels; and
 - b) available to persons (including the self-employed) to encourage them to contribute on a voluntary basis to their superannuation fund.
7. HIA supports proposals for superannuation that seek to extend workplace participation provided such proposals are suitable to the operational requirements of the employer's business.