



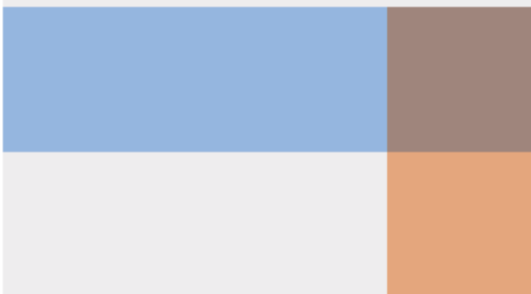
**Australian Government**  
**The Treasury**



# **Securing Australians' Superannuation Package**

## **Additional Impact Analysis**

The Treasury



**treasury.gov.au**

## Proposal

The Australian Taxation Office's (ATO) Small Business Superannuation Clearing House (SBS Clearing House) is a free service that allows eligible Australian employers to meet their superannuation guarantee (SG) obligations. To be eligible to use the free ATO SBS Clearing House, an employer must have either 19 or fewer employees, or an annual aggregated turnover of less than \$10 million. Eligibility is assessed each time an employer uses the service. It is estimated there is currently around 270,000 users of the ATO SBS Clearing House.

Broadly, clearing houses (including the ATO SBS Clearing House) act as an intermediary between an employer and a superannuation fund. Clearing houses will pay superannuation contributions to each employee's superannuation fund on behalf of an employer, provided the employer sends both the payment and matching data file to the clearing house. Clearing houses allow an employer to be SuperStream compliant by using this standard format. Currently, employers would need to engage with a clearing house service at a minimum of four times a year to fulfil their superannuation obligations under the current legislated quarterly payment model (the due date for SG contributions is 28 days after the end of each quarter).

As part of the Securing Australians' Superannuation package, it is proposed the ATO SBS Clearing House be retired prior to the commencement of Super on Payday on 1 July 2026. In place of the ATO SBS Clearing House, small businesses would transition to a commercially available clearing house to make any future superannuation contributions. This would allow small businesses to still be SuperStream compliant, while also being more efficient for employers as the majority can utilise their existing payroll software (rather than leaving their existing business systems to make payment through the ATO's SBS Clearing House).

## Changes to the option presented in the Impact Analysis

Under Option 3 in the Unpaid Superannuation Guarantee (USG) Package Impact Analysis, it was anticipated that some commercial clearing houses may need to change their operating revenue models, should clearing houses be required to reduce the amount of time they hold employer superannuation contributions. Superannuation clearing houses may run on an investment model where, rather than charging fees to employers, contributions paid by employers are invested to earn returns before being transferred to the appropriate superannuation funds.

If the amount of time clearing houses could hold employer superannuation contributions was reduced, the USG Impact Analysis anticipated service fees may be passed on to employers (in lieu of investment returns on contributions), and the use of the ATO SBS Clearing House was one way to mitigate the potential risk of higher fees for employers. As the ATO SBS Clearing House will now be retired, with no new registrations accepted from 7 May 2024, impacted small business employers will be required to find an alternative clearing house to make contributions from 1 July 2026.

This change results in a minor increase in average annual regulatory costs for current users of the ATO SBS Clearing House, as outlined below.

# Additional impacts to businesses

## Impacts of Retiring the ATO SBS Clearing House

Largely, payroll products provided by digital service providers (DSP) are based upon a monthly subscription model. This subscription includes access to payroll software and may also include the ability to make superannuation payments through a clearing house (super integrated).

The ATO has visibility over most of the software products their SBS Clearing House users currently use through the data they send when paying salary and wages. Data indicates that the majority of ATO SBS Clearing House users already use a payroll product that has clearing house functionality, estimated at around 85 per cent of users.

A limitation in this data is the ATO are unable to identify which subscription package an employer is currently using. While most ATO SBS Clearing House users already use a payroll software product which has clearing house functionality, this feature may or may not be included in their subscription package. For example, it may be the case that an employer using the ATO SBS Clearing House is already paying a subscription fee that allows them access to a clearing house through their payroll software, but they choose to use the ATO SBS Clearing House. Alternatively, an employer may be paying a subscription fee for payroll software that does not include super being integrated into the product, and therefore uses the SBS Clearing House. In that case, the employer would have to upgrade their subscription to an option that allows them to pay superannuation following the closure of the ATO SBS Clearing House.

For those employers who aren't already paying for superannuation integration, they have the option to choose from a range of DSPs at different price points, with differing monthly costs. Depending on the DSP, subscription fees that include superannuation integration can range from being free to \$115 per month. Some DSPs offer clearing house services at all price points, while others have a tiered approach where superannuation integration is offered at a higher price point. As an example, one employer might be paying \$65 per month for a product without superannuation integration, and the same provider offers superannuation integration for an extra \$20 per month. It would be up to the employer to weigh up the cost and benefits of the different payroll software options, when the ATO SBS Clearing House is retired.

For the small subset of employers who do not currently use payroll software which has clearing house functionality, there may be an additional fee to access this functionality once the ATO SBS Clearing House is retired. As noted above, there are a range of DSPs offering subscriptions to superannuation integrated payroll software products at differing price points. Employers will need to determine which product works best for them, but any additional cost is expected to be modest.

It is expected that industry has the capacity to cover what the ATO SBS Clearing House service currently provides. Of current ATO SBS Clearing House users, around 85 per cent use one of the top five payroll software products, with 65 per cent being in the top two digital products on the market. These DSPs offer a range of options to integrate payroll and superannuation which employers could already utilise. Given the significant proportion of ATO SBS Clearing House users who already use a commercial payroll software product (and the significant proportion of these products with clearing house functionality), retiring the ATO SBS Clearing House is expected to result in only modest additional demand on commercial providers.

In many cases, it will be more efficient for employers to use their existing payroll software to pay superannuation, rather than leaving their existing business systems to use the ATO SBS Clearing House.

### Impact of changes to clearing house operating model

While the USG Package Impact Analysis contemplates potential changes to commercial clearing houses operating models, the impact of this change on employers is unquantifiable. Further, as mentioned in the USG Package Impact Analysis changes to the way superannuation guarantee payments are made (such as via the New Payments Platform) will decrease transaction time and may organically change the way clearing houses generate revenue.

Therefore, the regulatory impact on employers with respect to a potential increase in clearing house service fees is unquantifiable.

## **Does the proposal change the option with the greatest net benefit and therefore the recommended option?**

As recommended in the USG Impact Analysis, both Option 2 and 3 still provide the greatest net benefit, with these policy options continuing to provide for the greatest reduction in unpaid superannuation.

Retiring the ATO SBS Clearing House is expected to only modestly increase the average annual regulatory burden on employers by \$1.2 million. This changes the average annual regulatory cost of Option 3 from \$136.0 million to \$137.2 million as outlined below (see Tables 1 and 2). There are no changes to the average annual regulatory costs of Option 2, as this only provides funding for the ATO to upgrade their data matching infrastructure. The increase in average annual regulatory burden under Option 3 is due to current users of the SBS Clearing House spending an additional amount of time either:

- Subscribing to a new payroll software with superannuation integrated; or
- remaining in their existing software and upgrading their subscription.

The majority of ATO SBS Clearing House users are able to keep their current subscription and utilise the clearing house feature already available in their payroll software.

Alongside the regulatory costs above, the estimated additional cost for employers to subscribe to a commercial clearing house, instead of using the free ATO SBS Clearing House service is \$84.2 million. This equates to an annual cost of \$1,083 per employer. The underlying assumptions for these figures include that employers will stay with their current DSP to avoid any additional disruption to their regular payroll process. The \$84.2 million figure is also an upper bound, assuming employers will upgrade to a higher tier 'premium' subscription. Other DSPs do offer cheaper alternatives that include a clearing house feature as part of their software package (see Table 4). DSPs may also provide cheaper superannuation integrated products should there be an increase in demand from employers who currently use the ATO SBS Clearing House.

While it would be an initial increase in cost for some employers to subscribe to a payroll software provider and a further ongoing subscription cost for some employers to use a commercial clearing house solution, it also improves the efficiency for employers to pay superannuation, as they no longer need to leave their existing business systems to make payment through the ATO's SBS Clearing House. This mitigates some of the impacts in additional subscription costs employers may be required to pay. Further, stakeholder feedback indicated that the current version of the SBS Clearing House would need a significant overhaul to accommodate more frequent superannuation payments.

**Table 1. Revised summary of Option 3 impacts (\$ million)**

Impact	Group	Type of impact	Impact
3. More frequent SG payments	Employees	Increased compounding of returns	1,368.4
	Superannuation funds	Increased fee revenue	5.7
	Employers	Cash-flow adjustments	Unquantifiable
	Employers	Cost of new DSP product	84.2
4. Regulatory costs	Employees	Automation of manual process	(5.5)
	Employers	System upgrades	1,221.0
	Employers	Selecting a DSP product with clearing house service included	12.4
	Clearing houses	System upgrades & fee structure changes	0.3
	Superannuation funds	System upgrades	5.7
	Digital service providers	System upgrades	10.4
	Employers	Understanding new regulations	126.8
	Clearing houses	Understanding new regulations	0.0
	Superannuation funds	Understanding new regulations	0.2
	Digital service providers	Understanding new regulations	0.1
5. Government expenditure	ATO	Implementation costs	200.0
	Treasury	Implementation costs	1.6

**Table 2. Revised Option 3 regulatory burden estimate (RBE) (\$ million)**

Average annual regulatory costs over the next 10 years				
Change in costs	Individuals	Business	Community organisations	Total change in cost
Total, by sector	(0.5)	137.7	-	137.2

Overall, as recommended in the USG Impact Analysis, both Option 2 and 3 still provide the greatest net benefit, with the ability to automatically match SG contributions data alongside more frequent payment of superannuation will have a significant impact on addressing the underlying drivers of unpaid SG. Retiring the SBS Clearing House in the long run will assist employers to meet their superannuation obligation more easily, by staying within their natural business systems when paying both wages and superannuation.

**Table 3. Summary of Regulatory Costs (\$ million)**

Options	Regulatory Costs
Option 2 – Investment in ATO Data Matching	(0.4)
Option 3 – SG on Payday	137.2
<b>Total</b>	<b>136.8</b>

**Table 4. DSP subscription costs<sup>1</sup>**

DSP	Product	Subscription Pricing (monthly)
Xero	Xero Payroll STP 2	<p>Premium and Ultimate include automated super (details on clearing house not available)</p> <p>Users can choose their own 3rd party clearing house.</p> <ul style="list-style-type: none"> <li>• Starter \$32 per month (super not integrated)</li> <li>• Standard \$65 per month (super not integrated)</li> <li>• Premium 5 \$85 per month (super integrated)</li> <li>• Ultimate 10 \$115 per month (super integrated)</li> <li>• Payroll only option \$15 per month (super not integrated)</li> </ul>

<sup>1</sup> As of January 2024.

MYOB	AccountRight	<p>All MYOB products include automated super payments in subscription fee, however, allows employer to choose.</p> <p>3<sup>rd</sup> party clearing house.</p> <ul style="list-style-type: none"> <li>• MYOB Lite - \$30 per month (up to 2 employees)</li> <li>• MYOB Pro - \$55 per month (\$1.50 per month for each employee)</li> <li>• AccountRight Plus - \$136 per month</li> <li>• AccountRight Premier \$170 month</li> <li>• MYOB Business (Payroll only) is \$10 per month for up to 4 employees and has automated super contributions.</li> </ul>
Webscale	Keypay	<p>BEAM clearing house included in subscription.</p> <p>Users can choose their own 3<sup>rd</sup> party clearing house.</p> <p>Automated superannuation is included for free every quarter.</p> <p>If a payer wants to report and pay Super in line with payrun, they can choose to do so at a cost of \$0.25 per employee.</p>
Reckon	Reckon GovConnect STP	<p>BEAM clearing house included in subscription.</p> <p>Users can choose their own 3<sup>rd</sup> party clearing house.</p> <p>Essentials and Payroll - \$45 per month</p> <p>Premium \$63 per month</p>



Payroller	Payroller	BEAM clearing house included in subscription. Users can choose their own 3 <sup>rd</sup> party clearing house. Lite – Free Standard \$1.99 per month per employee Enterprise – price not available
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