

SMSFs AND SUPERSTREAM

- COMMENCEMENT DATE APPROACHING

SuperStream will begin to impact many employers and SMSF trustees from 1 July 2014. It appears little information is currently available from the government agencies responsible for its implementation

This paper considers the different ways SuperStream will affect employers and SMSF trustees, as well as what needs to be done in preparation for the introduction during 2014.

What is SuperStream?

According to the Treasury website, "SuperStream is a package of measures designed to enhance the 'back office' of superannuation. When fully implemented, these measures will improve the productivity of the superannuation system and make the system easier to use."

The SuperStream 'initiative' is a component of the 'Securing Super' reforms which, in turn, form part of the Stronger Super program introduced by the previous Government and, in part, is an attempt to stop the occurrence fraud in superannuation.

SuperStream involves the implementation of new data and e-commerce standards for superannuation transactions, and will commence for many employers and all SMSFs from 1 July 2014.

Data & e-commerce

According to the ATO, the data standards are a set of minimum conditions for data and payment transmission which have 5 specific aspects:

- A set of business terms and definitions;
- A set of data message formats;
- A messaging services standard;
- A standard format for electronic payments; and
- Enabling (validation) services.

What does all that mean?

Good question. Basically, most superannuation transactions will need to be processed electronically with specified message formats.

Employers and SMSF trustees will be impacted in different ways by the changes.

Employers

From 1 July 2014, employers with 20 or more employees (and all employers from 1 July 2015) must pay superannuation contributions for those employees using the data and e-commerce standards of SuperStream.

In other words, payment by cheque will not be permitted. Similarly, a direct deposit by bank transfer to the super fund bank account will not be sufficient.

One exemption applies with regards to the contribution standards, when contributions are made from an employer which is a related party of the SMSF. In that instance, the employer is exempted from sending the data message and the SMSF will be exempt from receiving it.

Employers must:

- Provide minimum data in the specified message format;
- Make payments to the relevant super funds electronically;
- Ensure payments and data are linked by a specific reference number;
- Send funds and data on the same day; and
- Promptly respond to queries (within 10 days).

Although most employers currently use electronic bank transfer options to pay contributions to the superannuation funds of their employees, that process will no longer meet **all** of the SuperStream requirements.

Why? Because the limited amount of data able to be included on bank transfers is not able to meet the minimum data requirements mentioned above.

Employers will be affected to varying degrees, according to the ATO, depending on:

- their existing use of technology;
- the number of employees they have;
- the degree to which they wish to outsource the function;
- how they choose to adopt the charter and e-commerce standard; and
- the complexity of their current relationships with super funds.

Please note this article is for information purposes only and does not constitute legal or financial advice.

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SMSFs

From 1 July 2014, superannuation funds, "... will receive member information and linked payment data in a standard electronic format, substantially reducing the need for manual processing.", according to the Government's Standard Business Reporting (SBR) unit.

The SBR went on to state that "... all super funds, including self-managed super funds, will be required to receive contributions in the new standard."

In other words, SMSF trustees will need to obtain an electronic service address, which will enable employers to notify them of the payment of contributions.

The ATO intends to publish a list of providers of electronic service addresses early IN 2014 - a check of the ATO website indicates that the list of providers has not yet been published.

Following the introduction of standards for contributions, similar standards for receipt of rollovers are also expected to be introduced, with effect from 1 January 2015.

Benefits

Despite the cost and additional work required to meet the new standards, a number of benefits do arise from the introduction of the changes.

For SMSFs which use an administration service, the additional data provided with payments will assist administrators to more quickly allocate contributions to the correct members.

Additionally, transfers and rollovers from other superannuation funds, which have been a particular area of risk from fraudulent activity, will be able to proceed with significantly reduced risk.

One reason for the reduction in risk is that SMSFs will be required to nominate their bank account details with the ATO. Those details will be able to be checked, along with the fund ABN, by superannuation funds paying rollovers to SMSFs.

Ultimately, SMSFs and their advisers are likely to need to ensure that the software they use for the operation of their, or their clients', SMSFs enables transactions to be processed using the data standards of SuperStream.

Conclusion

Businesses and superannuation funds, including SMSFs, need to ensure they are ready for action from 1 July 2014.

Although a search of the ATO and other websites indicate minimal recent information on the forthcoming changes, we can expect to see more information, particularly after the list of electronic service address providers has been published.

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