

# CHANGES TO SUPERANNUATION FUND CHOICE RULES

**FROM 1 NOVEMBER 2021**

Changes are coming from 1 November 2021, that could impact where your new employees' super payments go.

These new changes, known as 'super stapling', are part of the Federal Government's superannuation reforms announced last year.

The changes could mean more work for employers to find the right fund to pay their employees' super.

But they also highlight the importance of employees being aware of and engaged in where their superannuation payments are going, and if the fund they are paid to is performing in their best interest.

Either way, it's important both employers and employees are across what the changes mean, and how they can be best-managed.

As all employers would be aware, upon joining a new employer, a new staff is asked to offer adequate information to ensure superannuation contributions will be paid to their nominated fund.

This opportunity for an employee nominating the super fund of their choice was introduced in 2005 to try and reduce the number of funds employees paid their super into over the years, as they changed employment.

With switching between jobs becoming common place over the years, every new position could see the employee accumulate a new super fund – with the individual amounts subsequently hived off in isolation from each other.

The issue here was twofold; it not just meant that employees could be paying more in fees than necessary (eg: three separate super funds would draw three separate lots of fees), but it also prevented the employee from earning maximum interest from their combined superannuation total.

But what if an employee failed to offer a super fund of their own choosing? Until now, the onus to find or identify an appropriate fund then moved to the employer. The business would deposit the superannuation monies into a 'default fund' of the employers' choosing. For example, in the agriculture and farming sectors, Prime Super has become a common go-to when a worker fails to nominate their own fund.

Yet despite these measures, the ATO and Federal Government identified that this 'default fund' process was still contributing to the creation of multiple super fund accounts for individuals; in other words, the measures didn't work as well as planned when first introduced, more than 15 years ago.

As a result, the ATO and Federal Government have now moved to further streamline this process, with the long-term plan of individuals one day having a single super fund.

## Here is where the concept of 'Super Stapling' comes in.

Super stapling means working Australians will be attached to one super fund for life – unless they decide during the course of their employment to move to another fund.

If the stapling concept works, it should lead to employees benefiting by not having more superannuation fund accounts created.

So how will it work? From 1st November 2021, employees will still have the option to select their own superannuation fund.

Where the change will occur is if and when the employee fails to offer their own super fund. If this occurs, the employer will go to the ATO, to request the employees' stapled super fund details.



If an employee has more than one fund, they will be automatically stapled to the one that has been active (received a contribution) most recently. Where there is more than one active fund, rules will be applied to select the most appropriate fund. For example, the fund with the biggest balance will become the stapled fund.

Other details about how this process will roll out are still being clarified; for those of you that already have access to the ATO Business Portal, it is understood that employers will be able to undertake the necessary search within this environment.

There is a possibility that Tax Agents/BAS Agents may be able to source the information for employers – although this is yet to be confirmed/tested through their respective ATO credentials.

At this point (27th October 2021), the steps involved in finding such information are still being prepared. As soon as this information becomes available, this brief will be updated with more details.

Whatever the process, the ATO has indicated that an employer will be able to access the information of a new employee after either of the following has occurred:

- a) A TFN Declaration is lodged (this can be done electronically now, with the various payroll software providers).
- b) A Single Touch Payroll Pay Event lodgement has occurred (ie: after payroll processing).

This will then ensure that the Tax Office has information about the employee, which would generally only be available to an employer through an employment engagement.

It has been suggested that this time, that the following information will be required:

- 1 Log into ATO online services.
- 2 Enter your employee's details, including their:
  - TFN
  - Full name – including 'other given name' if known
  - Date of birth
  - Address (residential or postal), if TFN not given.
- 3 The online system will use rules based on the regulations to work out and return a stapled super fund in response to a request.

Employers should be notified of the result of the stapled super fund request (on-screen) within minutes.

The ATO will notify the employee of the stapled super fund request and the fund details that have provided.

Note: If an employer is unable to access online service, – for example you are located overseas, contact the Australian Tax Office by phone on 13 10 20 to request details of a stapled super fund.

Whilst this may appear to be creating more work for the employer, it provides a great opportunity to work with new employees to ensure that all the critical information is available prior to or on commencement of employment, and that more is done to ensure employees are able to get the most from their superannuation contributions.

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