



Monthly Information Newsletter – Tax & Super

March 2022

Paying employees super through a super clearing house

If you're a small business owner, you'll know that you're required to pay your employees (and certain contractors) superannuation guarantee (SG) in addition to their salary or wages. But how do you pay your SG contributions in a simple and effective way? The answer is through a superannuation clearing house (SCH).

What is a SCH?

A SCH is an online portal that allows you to make all your super contributions for all your employees in one single payment.

The clearing house will then distribute the money to each employee's super fund on your behalf and according to your instructions.

This means using a SCH can save you time and also minimise the risk of payment errors.

Why do contributions have to be made electronically?

Back in 2012, legislation was passed to make electronic payment of super compulsory. This was done to reduce the number of missing and lost super payments and make managing and reporting on payments simpler for businesses.

As a result, employers must send contribution payments and data electronically in a standard format called 'SuperStream'.

SuperStream transmits money and information consistently across the super system between employers, funds, service providers and the ATO. The data is linked to the payment by a unique payment reference number.

Where do I find a SCH?

There are a few options available when paying super to employees super funds which meet the SuperStream requirements.

These include:

- Using a payroll system which is in line with SuperStream requirements, such as MYOB and Xero.
- Using your employer-nominated super fund's clearing house – most super funds provide access to a SCH service and will help you set up your account.
- Using the ATO's 'Small Business Super Clearing House' (SBSCH) – this free service is available to small businesses with 19 or fewer employees, or a turnover of less than \$10 million a year.
- Using a commercial SCH of your choice – there are a number of private/commercial SCH service providers but they do generally come at a cost.

What to consider when choosing a SCH?

Below are some points to consider before choosing a SCH:

- Is the SCH SuperStream compliant? It may be worthwhile looking for another SCH if your preferred SCH does not meet the Government's SuperStream and Single Touch Payroll requirements.
- Is there a cost? If you're using a payroll system that offers a similar service to a SCH, there may be fees involved to use this software. If fees apply, check if the charge is per employee or per transaction as this will allow you to estimate your annual cost. Other SCH services can be a low or no-cost option, so it's best to research the costs involved (if any) before you choose a service.
- How long does it take to process payments? The time it takes for your payment to be processed by the SCH and deposited into employee super fund/s must be considered. For example, if you use the ATO SBSCH and provide the ATO with all of the required information, payments may take up to seven business days to be transferred through the clearing house before they reach employee super fund accounts. Thus, choosing a SCH that processes payments quickly and efficiently may minimise the number of enquiries from your employees.

- Does the SCH automatically validate employee information? It is worthwhile asking the SCH if they use the Australia Post database to automatically validate employee addresses. This will minimise the chance of errors and speed up processing times.

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