



Superannuation Data and Payment Standards (Contribution Transitional Arrangements) Amendment 2014

Explanatory Statement

General Outline of Standard

1. This Standard is made under subsection 34K(3) of the *Superannuation Industry (Supervision) Act 1993* (SIS Act).
2. This Standard amends the existing contribution transitional arrangements set out in Schedule 1 to the *Superannuation Data and Payment Standards 2012*.
3. This Standard is a legislative instrument for the purposes of the *Legislative Instruments Act 2003* (LIA).
4. All legislative references in this explanatory statement are to provisions in the SIS Act unless otherwise specified.

Commencement

5. This Standard commences on the day after its registration on the Federal Register of Legislative Instruments.

Application

6. This Standard applies to employers and trustees of APRA¹-regulated superannuation entities and SMSFs² who are required to comply with the requirements of the *Superannuation Data and Payment Standards 2012* in relation to contributions.

What does this Standard do?

7. This Standard amends the existing contribution transitional arrangements by extending the existing contribution transition-in period by 12 months to 30 June 2017, and by providing additional transition-in arrangements that can be used during that period.
8. As part of these transition-in arrangements this Standard provides that if an entity voluntarily takes part in a contribution induction process that entity may send or receive contribution transaction messages, and payments associated with those contribution transaction messages, during that process in a manner advised by the Commissioner. The contribution induction process is a process that employers and trustees of superannuation entities can use to assist them in transitioning to full implementation of the requirements specified in the document referred to in

¹ Australian Prudential Regulation Authority.

² Self-managed superannuation fund.

Schedule 4(a) to the Standard (*Data and Payment Standards - Contributions Message Implementation Guide*).

Background

9. Among other things, the *Superannuation Data and Payment Standards 2012* (the Standard) sets out the specifications and requirements (collectively referred to as the 'contributions standard') for the following:
 - employee registration messages,
 - employee contribution messages, and
 - superannuation contribution payments.
10. Employers are required to send, and trustees of APRA-regulated superannuation entities and SMSFs (superannuation entities) are required to receive, information and payments in conformance with the contributions standard.
11. Schedule 1 to the Standard contains transitional provisions that allow employers and trustees to use electronic file formats to send contribution messages that are not fully compliant with the contributions standard during a transitional period referred to as the *contribution transition-in period*.
12. This Standard amends and expands those transitional arrangements to provide a more flexible environment in which entities can transition to full compliance with the Standard. If an entity meets the requirements of new Clause 4 of Schedule 1 to the Standard, the entity complies with the Standard (see paragraph 8(d) of the Standard).

Explanation

Extension of the contribution transition-in period

13. Paragraph 4.1(a) of Schedule 1 to the Standard extends the contribution transition-in period by 12 months to 30 June 2017. This will enable superannuation entities and employers to implement the contributions standard in a timeframe that meets their business needs.

Additional transition-in arrangements

14. To support the implementation of the contributions standard, the Commissioner has expanded the options available to medium to large employers and trustees of superannuation entities to transition to full implementation of the contributions standard.

Initial transition phase – 1 July 2014 until 2 November 2014

15. The period starting on 1 July 2014 and ending on 2 November 2014 is the initial transition phase.
16. During this period a medium to large employer can send employee registration and contribution messages in any electronic file format that a trustee of a superannuation entity advises that it can accept [**paragraph 4.2(a)(i)**]. The payment of the associated superannuation contribution must be made using an electronic payment method the trustee has advised it can accept [**paragraph 4.2(a)(ii)**].

17. During this period, an employer must assign a payment reference number to a contribution in accordance with regulation 7.07E of the Superannuation Industry (Supervision) Regulations 1994 (SISR). However, the requirements for determining a payment reference number set out in the document referred to in Schedule 3 to the Standard do not have to be used. Until 2 November 2014, a payment reference number can be determined using a different method, provided the requirements in regulation 7.07E are satisfied and the receiving entity can use the number to reconcile the payment to the contribution message sent.
18. A trustee of a superannuation entity needs to advise medium to large employers which electronic file formats and payment methods it is able to accept during this period by ensuring this information is easily accessible to those employers. For example, by putting this information on the superannuation entity's website.
19. These arrangements will allow medium to large employers and superannuation entities to continue to use existing electronic channels such as a web portal or email to send and receive member registration and contributions messages from 1 July 2014 to 2 November 2014 with minimal changes to their existing practices.

Transition-in arrangements until 30 June 2017

20. On and after 1 July 2014, a trustee of an APRA-regulated superannuation entity and an employer can agree to use a transition-in arrangement that meets the requirements of paragraph 4.2(b) (medium to large employer) or 4.2(c) (small employer) of Schedule 1 to the Standard. On and after 3 November 2014, these are the only transitional arrangements available to trustees of APRA-regulated superannuation entities and employers unless paragraph 4.3(c) applies.
21. The transition-in arrangements in paragraphs 4.2(b) and 4.2(c) of Schedule 1 to the Standard do not apply to SMSFs.

'In writing'

22. Paragraph 4.2(d) clarifies that an agreement in writing between an employer and a trustee of an APRA-regulated superannuation entity to use a transition-in arrangement that meets the requirements of paragraph 4.2(b) or 4.2(c) includes any form of electronic communication. For example the agreement could be evidenced by an employer's acceptance of the terms and conditions of use for an electronic contribution platform.

Relationship between transition-in arrangements and enduring solutions

23. The transition-in arrangements operate separately to the 'alternative arrangements' for eligible entities specified in the document (*Data and Payment Standards - Contributions Message Implementation Guide*) referred to in Schedule 4(a) to the Standard. However, a transitional arrangement, if it meets the relevant criteria of an alternative arrangement, may continue to be used after 30 June 2017 in accordance with the document referred to in Schedule 4(a) to the Standard.

Ability to receive compliant contribution transaction messages

24. For the period starting on 1 July 2014 and ending on 2 November 2014, trustees of superannuation entities may choose, but are not required, to have the capability to receive contributions standard compliant messages from employers. On and after 3 November 2014, trustees of superannuation entities must be able to receive

contributions standard compliant messages [**paragraph 4.3(a)**] unless the entity has an alternative date.

25. An APRA-regulated superannuation entity that is unable to receive contributions standard compliant messages by 3 November 2014, can obtain an alternative date if they provide the Commissioner of Taxation with an implementation plan on or before 30 September 2014 that specifies a particular date (the alternative date) by which time the entity will be able to maintain the capability to receive contributions standard compliant messages. That alternative date, that applies in place of 3 November 2014, cannot be later than 1 July 2015. [**paragraph 4.3(b)**]
26. The Commissioner will provide a template of an implementation plan that superannuation entities can complete for this purpose.
27. The Commissioner will acknowledge the alternative date applicable to the APRA-regulated superannuation entity and receipt of their implementation plan.
28. The Commissioner will advise APRA of the alternative date to support their administration of the contributions standard.
29. Where an APRA-regulated superannuation entity has obtained an alternative date to apply in place of 3 November 2014, medium to large employers can use the arrangements permitted under paragraph 4.2(a) until that alternative date [**paragraph 4.3(c)**].
30. The Commissioner will include information on the *Fund details register* maintained in accordance with section 34Y of the SIS Act to inform employers when an APRA-regulated superannuation entity is ready to accept contributions that conform to the contributions standard.
31. SMSFs are subject to a different regulatory regime to APRA-regulated superannuation funds and have not been included in the arrangements in paragraph 4.3(b). The Commissioner's compliance statement (as referred to in paragraph 44) is relevant to that entity.

Error and outcome messaging

32. Medium to large employers and trustees of APRA-regulated superannuation entities will not be required to send or receive member registration outcome response messages or contributions transaction error response messages for the period 1 July 2014 until 1 February 2015 [**clause 4.4**]. This will assist these entities to develop and test solutions prior to moving to full implementation and will reduce complexity in the initial phases of implementation.
33. SMSFs have not been included in this exemption as the contributions standard does not require SMSFs to receive member registration outcome response messages or contributions transaction error response messages.

Contribution induction process

34. The Commissioner will facilitate a contribution induction process to support the orderly and graduated testing and implementation of contributions standard solutions in a production environment (with the outcome being that solutions are 'cross-certified'; see paragraphs 42 and 43 below).

35. A contribution induction process is co-ordinated by the Commissioner and is run during a contribution induction period [**paragraph 4.5(a)**]. There will be separate contribution induction periods for medium to large employers and for small employers. Each period will run for 12 months. For medium to large employers the contribution induction period is between 1 July 2014 and 30 June 2015. For small employers the contribution induction period is between 1 July 2015 and 30 June 2016. [**Paragraph 4.5(f)**]
36. The contribution induction process will be made up of a number of groups (induction groups). Participation in this process is open to employers, superannuation entities and their solution providers on an 'opt-in' basis. Entities wanting to participate must, however, meet the third party certification requirement (see paragraph 41 below) and agree to the cross certification requirement (see paragraphs 42 and 43 below). The contribution induction process is in addition to the transition-in arrangements in clause 4.2 and therefore does not prevent an entity from using the transition-in arrangements during the transition-in period.
37. The processes and members of an induction group will be determined by the Commissioner based on nominations [**paragraph 4.5(b)**]. An induction group will include employers, superannuation entities, retirement savings account providers and solution providers acting on behalf of superannuation entities and employers. As an induction group will comprise a cross-section of entities, products and information technology (IT) solutions, it will enable certified products and solutions to be used with confidence by entities that have not participated in an induction group.
38. Acceptance into an induction group will be subject to the Commissioner's discretion and an undertaking that the relevant conditions outlined in clause 4.5 of Schedule 1 to the Standard will be met by the relevant entity. The Commissioner will advise entities that have been accepted into an induction group, which induction group they will participate in and the group induction period relevant to that induction group [**clause 4.5(c)**]. A group induction period is a period determined by the Commissioner as starting on a particular day (the induction commencement date) and ending on a particular day (the induction completion date), or the period as subsequently varied by the Commissioner. [**Clause 4.5(f)**]
39. If an entity takes part in a contribution induction process, the entity may send or receive contributions transaction messages and payments associated with those contributions transaction messages in the manner advised by the Commissioner during the group induction period that is relevant to that group [**clause 4.5(d)**].
40. After an entity has completed their group induction period, they are required to comply with the contributions standard unless they are using a transition-in arrangement provided for in clause 4.2 of Schedule 1 to the Standard [**clause 4.5(e)**].

Entry and exit criteria

Third-party certification

41. Third party certification of an information technology (IT) solution to be applied during a group induction period must be completed before the group induction period commences. This is a requirement that must be met for acceptance of an entity to participate in a group induction process [**subparagraph 4.5(a)(i)**]. Third-

party certification is an essential part of ensuring all entities can engage with confidence. This certification is provided on the basis that an entity can comply with requirements specified in a test and conformance suite published by the ATO.

Cross-certification

42. Cross-certification of an IT solution applied during the induction period by induction group participants represents peer-endorsement within an induction group and will require repeat tests for both default fund and choice fund contributions to ensure verification. The timing and number of iterations required may be influenced by the contributions payment cycle used by the employer.
43. Two independently paired passes of the induction process will generally be recognised as cross-certification. The Commissioner acknowledges that the cross-certification process for participants joining an induction group towards the end of a group induction period can only be completed after the end of the group induction period. Agreement that this will be completed within four weeks after the end of the relevant group induction period is a requirement that must be met for acceptance of an entity into contribution induction process [*subparagraph 4.5(a)(ii)*].

Compliance approach during implementation

44. To further support entities implementing the contributions standard, the Commissioner has a [compliance statement](#) that sets out the approach to compliance the Commissioner will take for employers and SMSF trustees.

Consultation

45. Section 17 of the LIA requires consultation to be undertaken before the making of a legislative instrument if it is appropriate and reasonably practical to do so.
46. The ATO has held two rounds of public consultation on the amendments to the contribution transitional arrangements and has also consulted on their development through its working groups and with relevant Government agencies. The ATO received written submissions from key industry associations and other stakeholders.
47. The majority of submissions received expressed support for the changes. Suggestions for clarification of particular aspects have been addressed through this explanatory statement and further guidance will be developed and placed on the ATO's website.

Exemption from disallowance and sunseting regime

48. Section 42 of the LIA provides for the disallowance of legislative instruments. However, subsection 44(2) of the LIA provides that section 42 does not apply to, among other things, instruments (other than regulations) relating to superannuation (item 39 of the table in that subsection). As a result, this instrument is not a disallowable legislative instrument under section 42 of the LIA.
49. Part 6 of the LIA provides for the sunseting of legislative instruments. However, subsection 54(2) of the LIA provides that Part 6 of the LIA does not apply to, among other things, instruments (other than regulations) relating to superannuation (item 42 of the table in that subsection). As a result, Part 6 of the LIA does not apply to this instrument.

What is the effect of this instrument

50. An assessment of the compliance cost impact indicates that the impact will be minor for both implementation and on-going compliance costs. The new instrument is of a minor or machinery nature, and involves simply extending the operation of the instrument to provide more time.

Statement of compatibility with Human Rights

51. As section 42 of the LIA does not apply to this instrument, a Statement of compatibility with Human Rights in respect of this instrument is not required under section 9 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Alison Lendon
Deputy Commissioner, Superannuation
22 May 2014

Legislative references:

Legislative Instruments Act 2003

17

42

44(2)

Part 6

54(2)

Superannuation Industry (Supervision) Act 1993

34K(3)

34Y

Superannuation Industry (Supervision) Regulations 1994

7.07E

Superannuation Data and Payment Standard 2012

Schedule 1

4.1(a)

4.2(a)

4.2(a)(i)

4.2(a)(ii)

4.2(b)

4.2(c)

4.2(d)

4.3(a)

4.3(b)

4.3(c)

4.4

4.5

Schedule 3

Schedule 4(a)

