Superannuation guarantee gap

How we estimate and reduce the super guarantee (SG) gap for 2021–22.

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Overview

The role of super guarantee in the community.

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For 2021–22, we estimate a net super guarantee (SG) gap of $5.2 billion or 6.3%. This means we expect to collect approximately 94% of the total theoretical SG liability.

We recognise the importance of SG to the Australian community, and its vital role in providing for people's retirement. Our role is to administer the SG system and the SG charge.

This gap forms part of our overall tax performance program. Find out more about the **concept of tax gaps and the latest gaps available**.

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Latest estimates and trends

Compare the 2021–22 super guarantee gap to estimates from previous years.

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For 2021–22 we estimate a net super guarantee (SG) gap of around $5.2 billion or 6.3% of estimated theoretical SG liability. This means approximately 94% of the total theoretical SG liability is expected to be collected.

Our current gap estimate is based on findings from our random enquiry program (REP) for the 2022 financial year. As this is the first year of applying a bottom-up approach methodology to estimate the SG gap, the method may be subject to further enhancements in future years. See findings from our REP.

Table 1: Super guarantee gap, 2016–17 to 2021–22

Element	2016–17	2017–18	2018–19	2019–20
Population	871,272	873,210	857,337	903,261
Gross gap ($m)	4,284	4,504	4,685	5,065
Amendments ($m)	735	820	804	653
Net gap ($m)	3,549	3,685	3,881	4,412
Expected collections ($m)	55,777	58,416	61,420	64,912
Theoretical liability ($m)	60,061	62,920	66,105	69,977
Gross gap (%)	7.1%	7.2%	7.1%	7.2%
Net gap (%)	5.9%	5.9 %	5.9%	6.3%

Figure 1 shows the gross and net gap as a percentage over the same period. The 2020-21 year has the highest gross and net SG gap estimates and appear to be a departure from pre-COVID estimates. In the latest year, we see both the gross and net SG gap decline to levels much closer to pre-COVID.

Figure 1: SG gross and net gap as share of theoretical liability, 2016–17 to 2021–22

The random enquiry program

In our REP, we randomly select and profile a sample of employers. We estimate the gap by using the incidence rate of adjustments and mean value of amendments resulting from non-compliance. Adjustments refer to changes we make to items on a tax return to correct errors identified in the audit and review process.

This method provides insights into the:

- value of non-compliance
- proportion of the sample, and by extension the population, who are incorrectly reporting.

Findings from the REP

In 2021–22, we undertook 668 REP audits and reviews across a representative sample of the active employer's population.
These cases informed our 2021–22 year estimate.

During the selection process, we stratified the population by large and non-large PAYG withholders, to ensure the overall population was appropriately represented. Employers considered at higher risk of shadow economy behaviour were represented as well as employers with lower risk of shadow economy behaviour.

In the sample, the incidence of adjustment was 41%. The median increase to employers' SG contributions was approximately $8,000. While individually this amount may not be large, it is extrapolated across a population of over 1 million employers.

What is driving the gap

As this is the first year we have utilised this method, we don't have insights into what might be driving the trend in the gap. However, case intelligence has been gathered allowing us to capture qualitative data that is highly valuable in understanding client behaviour.

The most common non-compliance incidents identified from the REP were:

- late lodgment
- SG underpayment

- SG charge non-payment
- incorrect application of the law.

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ATO action to reduce the gap

How we are reducing non-compliance and improving willing participation by employers in the super guarantee system.

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On this page

Our focus

We're committed to actively reducing non-compliance and improving willing participation by employers in the super guarantee (SG) system. We focus on reducing non-compliance in 3 ways.

Helping employers get it right

We offer support to make it as easy as possible for employers to understand and comply with their **SG obligations**. This includes face-to-face interactions, phone calls, webinars, website content, printed publications, social media and ATO communities.

At our tax professional open forums and small business conversations held across Australia, we focus on the importance of employers complying with their SG requirements. We remind employers about SG due dates and the consequences of not meeting their quarterly payment and reporting obligations.

To support employers in their crucial first 12 months of business, we provide education and services through our New to business essentials program.

Our online tools to help employers get it right include:

- **Super guarantee eligibility decision tool** helps work out if SG is payable.
- **Super guarantee charge statement and calculator tool** helps complete SG charge statements.
- **How to pay super** explains how employers can pay super.
- **Super guarantee employer obligations – online course** is a short online course to improve understanding of obligations and charges.

We're helping small businesses and their advisers to better understand and **manage their cash flow**.

Helping employees understand their entitlements

Our activities are not limited to employers. We provide online super tools to make it easier for employees to understand and report unpaid SG. We also give employees visibility of contributions made to their super funds through ATO online services.

Tools for employees include:

- **Am I entitled to super?**
- **Estimate my super**
- **Unpaid super from your employer** gives you steps to follow if your employer is not paying your super correctly
- **Report unpaid super contributions from my employer**.

Correcting employers who don't get it right

We take the non-payment of SG seriously and have a focused compliance program. Our program provides enforcement action to change employer behaviour and recover unpaid SG.

We address non-compliance through:

- proactively reminding employers of their obligations and to pay on time
- reviewing employee notifications (complaints) about non-payment
- nudging employers via letters, emails and phone calls to check their obligations and lodge SG charge statements if they have not paid the full amounts on time and to the correct funds for their eligible employees
- data analysis to identify potentially non-compliant employers for ATO-initiated reviews and audits.

Employee notifications

We receive notifications from employees who believe their employers have not met their SG obligations.

Review and audits

Transparency of the SG system has been significantly improved for us and employees by:

- employers reporting through Single Touch Payroll
- reporting of contributions by super funds.

We use this information to detect non-compliance and implement preventative and corrective strategies when employers don't meet their obligations.

We analyse a range of ATO internal information on possible unpaid super guarantee and also obtain information from:

- super funds
- unions
- government agencies
- other third parties.

Where appropriate, we undertake compliance actions. In 2021–22, we examined the records of over 17,000 employers to address non-compliance. We also review compliance in conjunction with PAYG withholding tax audits targeted across a range of industries, regional areas and individual circumstances.

The SG charge imposes nominal interest and an administrative charge on top of the SG shortfall. An additional charge can impose penalties of up to 200%.

We work across government to support and enhance our current compliance approaches.

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Methodology

The method we use to estimate the super guarantee gap.

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What has changed

We've changed our methodology in 2024 to use a random enquiry program (REP) based bottom-up statistical model to estimate the SG gap. Acknowledging this is the first year of applying a bottom-up approach methodology to inform gap estimate results and may be subject to further enhancements.

Step 1: Estimate unreported SG contributions

Unreported SG contributions consist of the additional contributions expected to be raised if we undertook compliance activity on the portion of the SG population not covered. It arises from incorrectly reported tax returns as unreported SG liabilities from the active employing entities population.

We use the REP compliance outcomes to determine the average amendment amount and average rate of amendments. These results are then extrapolated to the entire active employing entities population to calculate the estimated unreported contributions amount.

Step 2: Estimate non-detection

We take the estimated unreported contribution amount from Step 1 and uplift it to account for amounts that is not detected.

Step 3: Estimate non-pursuable debt

While the current SG model does not have an estimated NPD component, going forward with SG assurance intel we will be in a better position to estimate NPD applicable to the SG population.

Step 4: Calculate the gross gap and net gap

We combine the amounts determined above for amendments, unreported tax, and non-detection with non-pursuable debt to obtain the gross and net tax gaps. The net gap is equal to the gross gap less amendments.

We then add the gross gap to the voluntary SG contributions amount to estimate the theoretical SG liability. We calculate the gap percentages by dividing the gap estimate by the theoretical SG liability.

Summary of the estimation process

Table 3 shows the estimate amounts for the 6 steps of the SG gap from 2016–17 to 2021–22.

Step	Description	2016–17	2017–18	2018–19	201 20
1.1	**Population**	871,272	873,210	857,337	903
1.2	Voluntary expected	55,777	58,416	61,420	64

	collections ($m)				
2.1	Amendments ($m)	735	820	804	
2.2	Expected collections ($m)	56,512	59,235	62,224	65
3	Unreported tax($m) (See note)	3,549	3,685	3,881	4
4	Non-pursuable debt ($m)	n/a	n/a	n/a	
5.1	Gross gap ($m)	4,284	4,504	4,685	5
5.2	Net gap ($m)	3,549	3,685	3,881	4
6.1	Theoretical liability ($m)	60,061	62,920	66,105	69
6.2	Gross gap (%)	7.1%	7.2%	7.1%	
6.3	Net gap (%)	5.9%	5.9%	5.9%	

Note: Non-detection is captured within unreported tax component

Find out more about our overall research methodology, data sources and analysis for **creating our tax gap estimates**.

Limitations

There are limitations associated with estimating the SG gap.

The current methodology provides an aggregated estimate of the SG gap.

The assumptions we use to construct our estimate are informed by actual data and expert opinion. The following caveats and limitations apply when interpreting this tax gap estimate:

- The precision of the estimate is limited by the sample size.
- The true extent of non-detection is unknown and is challenging to measure. We assume there will be errors and omissions in our compliance activities due to factors outside our control and limitations in operational capability and capacity.
- The true extent and distribution of hidden wages is challenging to measure. We assume be shadow economy behaviour in this population.

Accounting for non-detection in the gap

We account for non-detection by applying an uplift factor to amendments and hidden wages. The impact of non-detection on the SG gap is estimated to be $2,533 million in 2021–22.

Not all errors are detected through the REP. We account for these by applying a non-detection uplift to the unreported tax liability estimate.

The 2 sources of non-detection for this tax gap relate to:

- SG contributions misreported
- hidden wages.

The unreported tax liability is divided into the above elements, with an appropriate non-detection factor then applied to each portion.

Source of non-detection	2016–17 ($m)	2017–18 ($m)	2018–19 ($m)	2019–20 ($m)	202[illegible] 21 ($m[illegible]
SG contributions misreported (excluding hidden wages)	234	246	254	283	3[illegible]
Hidden wages	1,705	1,797	1,890	1,953	2,0[illegible]

Total non-detection	1,940	1,797	2,144	2,236	2,3

Updates and revisions to previous estimates

Each year we refresh our estimates in line with our annual report. Changes from previously published estimates occur for a variety of reasons, including incorporating updated estimates of wages published by the ABS.

We also make changes for reasons such as:

- improvements in methodology
- revisions to data
- additional information becoming available.

Figure 2 displays the gross gap and net gap from our current methodology compared to the estimates released in previous years.

Figure 2: Current and previous super guarantee net gap estimates, 2009–10 to 2021–22

The data is presented in Table 4 below.

Table 4: Current and previous net super guarantee gap est

Gap	2009–10	2010–11	2011–12	2012–13	2013 14
2024	n/a	n/a	n/a	n/a	n/
2024 superseded model	n/a	n/a	n/a	n/a	n/

2023	n/a	n/a	n/a	n/a	n/
2022	n/a	n/a	n/a	n/a	n/
2021	n/a	n/a	n/a	n/a	5.5
2020	n/a	n/a	n/a	5.6%	5.6
2019	n/a	n/a	6.5%	5.3%	5.3
2018	n/a	5.6%	6.5%	5.3%	5.2
2017	3.8%	4.6%	5.9%	4.8%	4.7

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Reliability

How we make sure the super guarantee gap estimate is reliable.

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We seek feedback and advice about how we estimate the gap from our external and internal subject matter experts. Based on the advice, the reliability rating for this estimate is medium with a score of 16.

The estimate draws on the results from the random enquiry program, acknowledging this is the first year of applying a bottom-up approach methodology to inform gap estimate results and may be subject to further enhancements.

Figure 3: Reliability rating scale from very low to very high – super guarantee gap

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We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.