

27 February 2013

Dr Richard Grant
The Acting Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
CANBERRA ACT 2600

Email: corporations.joint@aph.gov.au

Dear Dr Grant,

Re: Tax and Superannuation Laws Amendment (2013 Measures No. 1) Bill 2013

The Australian Institute of Superannuation Trustees (AIST) is an independent, not-for-profit professional body whose mission is to protect the interests of Australia's \$500 billion not-for-profit superannuation sector. AIST's members are the trustee directors and staff of industry, corporate and public-sector superannuation funds, who manage the superannuation accounts of two-thirds of the Australian workforce.

Our comments on this bill ("The Bill") are limited to Schedules 1 and 4 and we will not be commenting on the remaining measures contained within the Bill.

Schedule 1: Taxation of interest on unclaimed money

Our comments relate to Part 1 of Schedule 1.

AIST supports the measure contained in Schedule 1, whereby the notional interest amount paid by the Commonwealth on claims for unclaimed money, forms part of the tax-free component of a superannuation benefit. It is reasonable that taxpayers' retirement savings maintain their spending power, and AIST supported the amendments that received royal assent in December 2012 to the *Superannuation (Unclaimed Money and Lost Members) Act 1999* that allowed for the payment of interest on unclaimed monies. Monies that have been transferred to the Commissioner are transferred from superannuation funds where they normally have access to market returns. This 'time out of the market', if a lengthy period, has the effect of depriving taxpayers of greater long term returns on their retirement savings.

Further to this, we support the extension of these provisions to former members of superannuation funds who have departed Australia and are therefore entitled to their superannuation monies as a result.

We support the sentiment expressed in paragraph 1.24 of the Explanatory Memorandum to the Bill, which upholds the Government's intention to ensure that the real value of unclaimed money is retained, and we believe that this measure provides the policy's intended outcome.

Schedule 4: Self-managed superannuation funds and related parties

AIST supports the measures proposed in the Bill relating to acquisitions and disposals of certain assets between self-managed superannuation funds (SMSFs) and related parties. AIST has supported these measures from their initial recommendation in the Cooper Review, through the Government's consultation and finally, in the Bill in its current form.

AIST supports the intention of this measure to ensure that there is no scope for manipulation. We note that the most accurate and transparent valuation of assets is the transactional value obtained when an asset is bought or sold. Where an underlying market exists (e.g. shares contained within the S&P/ASX 200 or 300 indices), the potential for valuation errors exists in off-market transfers and we believe that the safest way to value these assets is by actually transacting on them at arm's length.

We support the use of an accredited independent valuer in providing valuations, particularly where asset values cannot be readily obtained. We question the appropriateness of funds holding assets obtained from related parties where valuations are unable to be obtained, and so do not support such transfers. Transfers of such assets from funds to related parties should not be encouraged.

AIST agrees with the inclusion of exceptions relating to the breakdown of relationships. AIST also supports the prohibition of schemes which avoid the operation of these new rules regulating SMSF related party transactions and administrative and civil penalties associated with the rules.

Yours sincerely,

Tom Garcia
Chief Executive Officer