

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: Superannuation Legislation Amendment (Reform of Self Managed Superannuation Funds Supervisory Levy Arrangements) 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 measure relate solely to the levy itself, and the costs of administration of this growing sector.

In the Mid-Year Economic and Fiscal Outlook (MYEFO) statement of November 2012, the Treasurer and the Minister for Finance and Deregulation explained that there is presently a shortfall of Self-Managed Superannuation Fund (SMSF) levy revenue, compared with the costs of regulating the sector. Whilst not the primary reason for bringing the levy payments forward, nor the increase, this statement exemplifies why AIST is supporting reform of this levy. We support the reasons given for the increase in this levy, as explained by the Parliamentary Secretary to the Treasurer, The Hon Bernie Ripoll MP, in his second reading speech, that the maximum levy is needed to be raised to allow for the price increase for the 2013-14 income year. AIST supports all measures that provide appropriate cost recoupment and support this measure on this basis.

In his speech, the Parliamentary Secretary explained that the SMSF levy is intended to help offset the SMSF Stronger Super reforms. AIST supports this, and applauds the Government for appropriately planning around the costs of these changes. It is often not considered, however there are other costs that are presently being spent, in order to improve the infrastructure that relates to payments of contributions and rollovers.

We expect that SuperStream will radically improve the costs incurred by all superannuation funds of processing member benefits. However, at this stage, we remind the Committee that the costs of implementing the SuperStream reforms was budgeted at an additional \$467 million in the 2012 Federal Budget and funded by the APRA levy¹. We note that this figure was revised downwards, slightly, in the November MYEFO statement.

AIST notes that key recipients of the benefits of these reforms will include the growing number of members of self-managed superannuation funds; however, it is the members of APRA regulated funds who will bear this cost. The benefits to SMSFs are openly supported throughout the industry, as Peter Burgess, Technical Director at the peak body for SMSF practitioners, the SMSF Professionals Association of Australia (SPAA) explained in 2011²:

New data transfers standards for rollovers and employer contributions, to be introduced as part of SuperStream, will benefit self-managed super funds (SMSFs), according to SMSF Professionals' Association of Australia (SPAA) technical director, Peter Burgess.

“Ensuring all rollovers and employer contributions must be accompanied by mandatory sets of data will eliminate the need for SMSF administrators (sic) to chase up missing data and undertake time consuming reconciliation processes,” he added.

AIST urges the Committee to consider whether the costs of SuperStream should be partially sourced from the now nearly 500,000 self-managed superannuation funds, servicing nearly 1 million members. In our submission to APRA of June 2012³, we proposed that SMSFs should make a contribution to the cost of funding SuperStream that should be reasonable and proportionate to the benefit that SMSF members derive from SuperStream. We recommended, in that submission, that each SMSF be levied an amount of \$311 toward the ATO’s SuperStream development costs in 2012-13 as a per capita proportionment of the total cost attributable to the SMSF sector, a little under \$146 million.

Naturally, we continue to support the collection of a component of the SMSF levy that relates to SuperStream being appropriately undertaken by the ATO rather than APRA.

We stand by our comments and urge the Committee to consider this Bill in that context.

¹ Treasury, The. and APRA (2012) *Financial Industry Levies for 2012-13*. [pdf] Canberra: Australian Government. <http://is.gd/8jeDTm> [Accessed: 26 Feb 2013].

² Pokrajac, M. (2011) New SuperStream measures to benefit SMSFs: SPAA. *Super Review*, [online] 9 August. Available at: <http://is.gd/GrQG2R> [Accessed: 27 Feb 2013].

³ AIST (2012) *Response to Treasury: Proposed Financial Industry Levies for 2012-13*. [pdf] Melbourne: Australian Institute of Superannuation Trustees. <http://is.gd/Vzg1KA> [Accessed: 27 Feb 2013].

Australian Institute of Superannuation Trustees



Yours sincerely,

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