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21 June 2013

Mr Tim Bryant
Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Email: to economics.sen@aph.gov.au

Dear Mr. Bryant,

RE: Income Superannuation Laws Amendment (MySuper Capital Gains Tax Relief and Other Measures) Bill 2013

On 20 June the Association of Superannuation Funds of Australia (ASFA) provided a submission in response to the request for comments on the *Income Superannuation Laws Amendment (MySuper Capital Gains Tax Relief and Other Measures) Bill 2013* (the "Bill"). We would now like to lodge this supplementary submission in response to the submission made to the inquiry by Treasury.

In our response to Treasury on the exposure draft bill ASFA provided the following comments:

> **Other matters**
> ASFA is concerned with the lack of relief where a member's accrued default amount is moved within a fund to a MySuper product and the underlying investment is held in a PST or life company. For example the current product may be invested in a life policy or through a PST but the MySuper offering is a new master trust product with direct investments. In the absence of rollover relief, where the underlying investment is carrying capital and tax losses the transfer of the members' benefit would see a loss of the tax benefit resulting in a reduction in the value of the members' benefits.
>
> To address the above situation ASFA requests that consideration be given to providing relief for situations where the compulsory transfer to a MySuper product occurs within a fund but the transfer necessitates the realisation of an investment in an underlying PST or an insurance policy in a life insurance company that results in a reduction of the member's benefit. Without the relief, members in these situations may see a reduction in benefits caused by the compulsory transfer of their benefits to a MySuper product.

Treasury, in their submission to the inquiry state:

> Some stakeholders have sought to extend the scope of the income tax relief to voluntary superannuation fund restructures in order to achieve various objectives as part of implementing the MySuper reforms. These voluntary restructures are undertaken for commercial reasons rather than being required under the MySuper reforms. Extending the relief to cover such restructures would involve an additional cost to revenue.

ASFA is strongly of the view that no member should have their benefit reduced through incurring CGT, directly or indirectly, or through losing the ability to transfer a CGT loss, as a result of the introduction of MySuper. This is a matter of equity of treatment between members whose accrued default amounts are compulsorily transferred to a MySuper product in another fund and those members whose benefits are transferred to a MySuper product within the same fund.

Accordingly, we reiterate the comments we made in our submission to Treasury on the draft bill with respect to CGT outlined above.

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I trust that the information contained in this submission is of value.

Fiona Galbraith
Director, Policy