

Chapter 2

Views on the bill

2.1 The committee received one submission from the SMSF Association (SMSFA) in relation to the proposed amendments to the self managed superannuation fund membership limit, as set out in Schedule 1 of the Treasury Laws Amendment (2019 Measures No. 1) Bill 2019 (TLA Bill).

2.2 The committee received no commentary on Schedules 2–4 of the TLA Bill or on the Excise Tariff Amendment (Supporting Craft Brewers) Bill 2019 (Excise Tariff Bill). Consequently, comments in this chapter are restricted to those received on Schedule 1 of the TLA Bill.

Comments on Schedule 1—SMSF membership limit

2.3 As noted in Chapter 1, Schedule 1 to the TLA Bill seeks to increase the maximum number of allowable members in a self managed superannuation fund (SMSF) or small Australian Prudential Regulation Authority (APRA) fund from four to six (that is, fewer than seven members).

2.4 The SMSFA expressed its general support for increasing the SMSF membership limit, submitting that it believes this 'will provide additional flexibility and choice in the superannuation system'.¹

2.5 The SMSFA commented on how increasing the maximum number of SMSF members will expand the options available to larger families. The SMSFA elaborated that:

From an intergenerational perspective, if children have knowledge about and are part of how their parents' affairs, finances and superannuation are being managed, this familiarity can facilitate improved and more timely estate planning across generations of families. For example, including adult children in their ageing parents' SMSF could help when making administration and investment decisions for the fund.²

2.6 In relation to SMSF fees, the SMSFA submitted that increasing the maximum number of members is unlikely to have a real effect 'because SMSF fees are typically charged on a fixed administration basis regardless of the number of members and without consideration to the balance of the superannuation account'.³

2.7 The SMSFA continued that:

Pooling superannuation balances in one SMSF can therefore avoid the costs of running separate SMSFs. Furthermore, if the pool of assets is increased in an SMSF through including more members, then the SMSF will become

1 SMSF Association, *Submission 1*, p. 1.

2 SMSF Association, *Submission 1*, p. 1.

3 SMSF Association, *Submission 1*, p. 1.

more cost-efficient as the fees reduce as a percentage of the total assets of the fund. Another benefit from this spreading of fees across members is that lower income earning members could potentially have lower fees than they would in APRA-regulated superannuation funds.⁴

2.8 Further, with regards to pooling superannuation balances, the SMSFA noted that an increase in the SMSF membership limit 'means individuals can enjoy the benefits of consolidating assets, increased investment opportunities and flexibility to diversify'.⁵

2.9 Noting that, currently, 93 per cent of SMSFs have only one or two members, the SMSFA considered that increasing the SMSF membership limit 'should be regarded as a non-controversial change to the SMSF sector' and that it 'does not pose any significant integrity issues'.⁶

Committee view

2.10 The measures in the TLA Bill, together with the Excise Tariff Bill, aim to increase consumer choice and support the government's plan to ensure that all Australians get a fair go.

2.11 By allowing groups of five or six people to establish an SMSF or small APRA fund, the proposed amendments in Schedule 1 to the TLA Bill provide increased flexibility for Australians, particularly those with larger families, to manage their retirement savings. The committee notes and agrees with the views of the SMSF Association in support of this measure.

2.12 The Excise Tariff Bill, along with Schedule 2 to the TLA Bill, seeks to extend concessional draught beer excise rates to containers of eight litres or more. The committee is confident that this measure will support craft brewers by helping to level the playing field between small and large breweries.

2.13 By extending its income tax exempt status for a further four years, the committee considers that Schedule 3 to the TLA Bill will enable the Global Infrastructure Hub to continue to pursue its important aim of facilitating private investment in much needed public infrastructure.

2.14 Finally, by clarifying Treasury laws and repealing unnecessary provisions, the committee is of the view that the miscellaneous amendments proposed in Schedule 4 to the TLA Bill successfully further the government's commitment to restoring simplicity and fairness to the Australian tax system and to the care and maintenance of the law.

4 SMSF Association, *Submission 1*, pp. 1–2.

5 SMSF Association, *Submission 1*, p. 2.

6 SMSF Association, *Submission 1*, pp. 2–3.

Recommendation 1

2.15 The committee recommends that the Treasury Laws Amendment (2019 Measures No. 1) Bill 2019 and the Excise Tariff Amendment (Supporting Craft Brewers) Bill 2019 be passed.

**Senator Jane Hume
Chair**

