

Additional Comments from Labor Senators

1.1 Labor Senators do not support Schedule 1 of the Treasury Laws Amendment (2019 Measures No. 1) Bill 2019, relating to increasing the membership limit of self managed superannuation funds (SMSFs).

1.2 Labor Senators support the remaining schedules of that legislation, as well as the Excise Tariff Amendment (Supporting Craft Brewers) Bill 2019.

Schedule 1—Self Managed Superannuation Fund Membership Limit

1.3 The government has not provided an adequate or compelling policy rationale for increasing the membership limit of self managed superannuation funds from four to six.

1.4 No detailed analysis has been provided by the government, nor has any formal public consultation been conducted by Treasury on this measure as far as Labor Senators are aware.

1.5 Labor Senators note that the Minister at the time stated that the measure was intended to make SMSFs more attractive:

The change will allow for greater flexibility and, given the growth in the sector to date, will ensure SMSFs remain compelling retirement savings vehicles into the future.¹

1.6 Labor Senators also note the unnecessarily partisan nature of the Minister's remarks, which are unfortunately consistent with the ideological approach the government has chosen in relation to superannuation during their two terms of government:

SMSFs and their members can rest assured that unlike the Labor Party and Bill Shorten, who continue to unfairly target SMSFs through policies like their regressive retiree tax, the Government recognises the valuable role SMSFs play in providing competition in the superannuation sector and providing Australians with an opportunity to exert more control over their own retirement.²

1.7 However, the Productivity Commission raised significant concerns about the performance of SMSFs with balances less than \$500,000:

SMSFs with under \$500,000 in assets have relatively high expense ratios (on average), and this remains the case once recently established SMSFs are excluded from the sample—suggesting that initial establishment costs are not driving the results. Many SMSFs (42 per cent) with under \$500,000 in

1 The Hon. Kelly O'Dwyer MP, 'Greater flexibility for self-managed super funds', *Media Release*, 27 April 2018, <http://kmo.ministers.treasury.gov.au/media-release/042-2018/> (accessed 26 March 2019).

2 The Hon. Kelly O'Dwyer MP, 'Greater flexibility for self-managed super funds', *Media Release*, 27 April 2018, <http://kmo.ministers.treasury.gov.au/media-release/042-2018/> (accessed 26 March 2019).

assets have been in existence for two or more years, and thus are likely to have persisted with high average expenses and low net returns (chapter 3).

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FINDING 2.6

The SMSF segment has delivered broadly comparable investment performance to the APRA-regulated segment, but many smaller SMSFs (those with balances under \$500,000) have delivered materially lower returns on average than larger SMSFs.³

1.8 Labor Senators also note that the Productivity Commission did not make a finding in relation to SMSF membership limits.

1.9 As no cogent policy rationale for the change has been provided by the government, and in the absence of a Productivity Commission recommendation about membership, Labor Senators believe that this schedule should be removed from an otherwise non-controversial package of bills.

Recommendation 1

1.10 That Schedule 1, relating to the self managed superannuation fund membership limit, be removed from the Treasury Laws Amendment (2019 Measures No. 1) Bill 2019.

Recommendation 2

1.11 Subject to Recommendation 1, that the bills be passed.

Senator Chris Ketter
Deputy Chair

Senator Jenny McAllister
Senator for New South Wales

3 Productivity Commission, *Superannuation: Assessing Efficiency and Competitiveness*, 21 December 2018, p. 151, <https://www.pc.gov.au/inquiries/completed/superannuation/assessment/report/superannuation-assessment.pdf> (accessed 26 March 2019).