

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Tax Laws Amendment (Simplified Superannuation) Bill 2006 – 30 January 2007

Topic: Unclaimed superannuation going to Commonwealth

Hansard Page: E42-E43

Senator SHERRY asked:

Presumably you have an estimate of the moneys that would be paid now, or from whatever the operative date is, to the Commonwealth rather than the states or at least an estimate of the actual moneys that have been paid to states and territories over the last couple of financial years.

Mr Ray—As in the amount of unclaimed moneys that funds have paid into the states on trust?

Senator SHERRY—Yes.

Mr Ray—I do not have an estimate with me.

Senator SHERRY—But presumably you would have had an estimate in order to put together this proposal at this stage.

Mr Thomas— The proposal at this stage relates to the future unclaimed moneys.

Senator SHERRY—I understand that.

Mr Thomas—The stock that is in the states is something that relates to discussions at the moment between the Commonwealth and the states.

Senator SHERRY—How do you mean ‘the stock’?

Mr Thomas—At present moneys have been paid to each of the states as unclaimed over the last decade. That is held by the states. What happens to that money is something that is still in the process of discussion between the Commonwealth and the states. The revenue impact that you are talking about is looking forward.

Senator SHERRY—Correct. But I was going to what were the actual figures over the last, say, three or four financial years. I am sure you have looked at them to see what the actual quantum of money is that is likely in the future.

Mr Ray—I have not looked at them. If you were asking what the effect on the budget balance is going to be, we publish that in MYEFO, and the estimate that we have at the moment over the forward estimates is nil.

Senator SHERRY— So there is no gain?

Mr Ray— No gain.

Senator SHERRY—I am a bit perplexed as to why you say there will be no gain, because there must be some moneys that are unclaimed that the Commonwealth is now going to retain and will never be claimed by the individuals involved.

Mr Thomas—Essentially there will be an inflow and an outflow; that is the expectation.

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Senator SHERRY—Will the outflow equal the inflow?

Mr Thomas—One of the reasons for doing this is to make it easier for people to reclaim the money, because at the moment it is very difficult for people to be certain where they need to go in relation to claims.

Senator SHERRY— I understand the rationale.

Mr Thomas— We expect there will be a high take-up.

Senator SHERRY— I understand the rationale; I am just trying to get to the actual figures.

Mr Ray— On an accrual basis the inflow will equal the outflow.

Senator SHERRY—So you are not expecting any net gain to the Commonwealth?

Mr Ray— No.

Senator SHERRY—Even with lost moneys now up to \$9.7 billion?

Mr Ray— On an accrual basis, no.

Senator SHERRY— Why do you believe that will be the case?

Mr Ray— I think the way the accounting works is that when the revenue is received the liability is incurred at the same time.

Senator SHERRY—But what if not all the money, the revenue, is claimed? It goes into government consolidated revenue.

Mr Ray— That would affect cash.

Senator SHERRY—What is the effect on cash, then?

Mr Ray— I would need to take that on notice.

Answer:

Under the proposed changes, the Australian Tax Office would not control the unclaimed funds, therefore they would not be recognised as revenue. The monies are held on trust - use of a trust account would be appropriate and they would fall outside the primary financial statements. They would be reported in the accounts by way of note, but this does not affect the estimates.

Therefore, there should be no recognition of any unclaimed monies in the financial statements which by implication means no fiscal balance or underlying cash impact.