

61 2 82668348

PRICEWATERHOUSECOOPERS 

Ms Sue Morton
Secretary
Senate Select Committee on Superannuation
Parliament House
CANBERRA ACT 2600

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwcglobal.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
Direct Phone +61 2 8266 5767
Direct Fax +61 2 8266 8348

11 June 2002

Reference: 65767

Dear Ms Morton

Subject: Proof Transcript of Evidence
Taxation Treatment of Transfers from Overseas Superannuation Funds

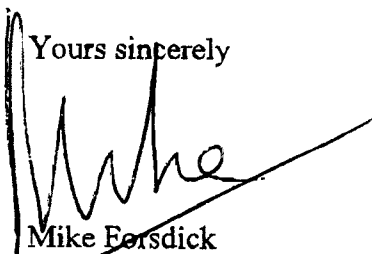
I refer to your letter of 28 May 2002 enclosing two copies of the transcript of my evidence at the recent hearing in Sydney.

I have marked four typographical corrections on the attached extract.

Further, I attach my response to a request from the Chair on page 115, in relation to Section 27CAA and the FIF regime.

Should you have any queries, please contact me on 8266 5767.

Yours sincerely



Mike Eorsdick
Partner
Tax Services

enc

61 2 82668348

Interaction between 27CAA and FIF Rules

An interest in a foreign superannuation fund which is not exempt from the operation of the FIF rules (such as a personal pension scheme) will result in FIF taxes being paid by an Australian resident. If the foreign fund entitlement is then transferred to an Australian fund, Section 27CAA includes an amount, calculated by that section, in the individual's assessable income. The question arises on whether there is a mechanism to ensure the benefits are not taxed twice – under the FIF rules as well as Section 27CAA.

When Section 27CAA was enacted as part of the ETP subdivision of the Income Tax Assessment Act, amendments were also made to the FIF legislation to (according to the Explanatory Memorandum):

“extend the current exemption for amounts that are taxed under FIF measures to include amounts that are assessed under the ETP subdivision. As a consequence, the amount of a payment that is assessed under the ETP subdivision will be reduced by the amount of the payment that is taxed under the FIF measures”.

It is clear, therefore, that the intent was to ensure that the two areas of tax law complemented each other and no double tax would arise. However, the complexity of the FIF legislation in particular makes its actual method of operation far from clear.

We will be pleased to provide a more technical analysis of the relevant provisions should it be required by the Committee.