



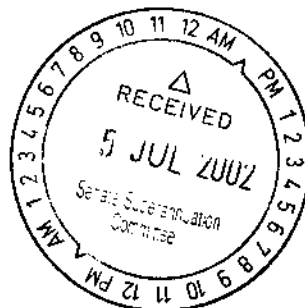
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THE TREASURY

Superannuation, Retirement and Savings
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5 July 2002

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



Dear Ms Morton

COMMITTEE INQUIRY INTO TRANSFERS OF OVERSEAS SUPERANNUATION

I refer to your letter of 19 June 2002 in which the Committee provided Treasury with a copy of a supplementary submission from Pension Transfers Direct (PTD).

The Committee has sought Treasury's comment on PTD's estimate that existing and new migrants may transfer as much as \$1.5 billion of UK superannuation into Australia within a 5-year period. The Committee also welcomed any analysis and general estimates that we could provide on the potential scale of the following the:

- annual revenue collected under section 27CAA for each year since 1 July 1994; and
- amount of foreign superannuation assets held by Australian residents, and the growth in those assets that may be taxed under section 27CAA.

PTD's Estimates of UK superannuation:

It is extremely difficult to comment on PTD's estimates, as we do not have the underlying data and assumptions used to make those estimates. In fact there appears to be little real data used in arriving at those estimates. Treasury has obtained some data from the Department of Immigration and Multicultural and Indigenous Affairs and UK Inland Revenue in an attempt to assess the validity of PTD's estimates. What this reveals is that:

- about 364,000 UK migrants have settled in Australia since 1980;
- about 211,000 are unlikely to have left any superannuation monies in the UK as they were retired, children or otherwise unlikely to have any superannuation (eg occupations recorded as home duties or unemployed); and
- superannuation coverage in occupational pension schemes in the UK was about 46% in 1995.

Furthermore, to determine the likelihood of any UK immigrant having a UK pension fund, we would need to know the person's age (thus we would have some idea of their working life – a longer working life might suggest a higher pension fund balance). As none of this information is available, we are unable to comment on the PTD's estimates.

Estimates of revenue collected under section 27CAA for each year since 1 July 1994

Treasury does not collect taxation revenue, or directly taxation revenue data. Taxation revenue and data is collected by the ATO. However, as indicated by the ATO at the Senate Committee hearings, the ATO does not collect information on tax revenue collected under section 27 CAA. The Treasury does not have such data.

Amount of foreign superannuation assets held by Australian residents, and the growth in those assets that may be taxed under section 27CAA

On the basis of the above, Treasury is unable to provide the Committee with a valid estimate of the amount of foreign superannuation assets held by Australian residents, and the growth in those assets that may be taxed under section 27CAA. This would not only require some knowledge of the amount of foreign superannuation (which is not available) but also an estimate of the capital (ie non-taxable component) of the amount of the foreign superannuation. Only the holder of the superannuation or the foreign superannuation fund may know this. What we can say is that if someone transfers their superannuation from the UK and the transfer is subject to tax under section 27CAA, and the amount is significant, then that person may well be pushed into the top marginal tax rate of 47% in the year the transfer takes place.

Yours sincerely

Raphael Cicchini
Manager
Superannuation Unit