The Association of Superannuation Funds of Australia Limited
ABN 29 002 786 290
ASFA Secretariat
PO Box 1485, Sydney NSW 2001
p: 02 9264 9300 (1800 812 798 outside Sydney)
f: 02 9264 8824
w: www.superannuation.asn.au

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the voice of super

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INQUIRY INTO THE TAX AND SUPERANNUATION LAWS AMENDMENT (2013 MEASURES NO. 2) BILL 2013

ASFA responded to the House of Representatives Standing Committee on Economics call for submissions to its inquiry into the *Tax and Superannuation Laws Amendment (2013 Measures No. 2) Bill 2013.*

ASFA only commented on Schedule 5 - Merging multiple accounts in a superannuation entity and Schedule 6 - Government co-contribution for low income earners.

Schedule 5 - Merging multiple accounts in a superannuation entity

Schedule 5 requires trustees of superannuation funds to have a procedure in place to determine on an annual basis whether a member has multiple accounts within the fund and, if so, the trustee must, where it is considered to be in the member's best interest, merge those accounts.

With respect to Schedule 5, ASFA set out the history to the development of the legislation and expressed support for the final design ASFA, particularly as it:

- Excludes from the provisions defined benefit interests and income streams;
- Provides protection for trustees where the account is merged through the inclusion of the words 'if the trustee reasonably believes that it is in the best interests of the member to do so'; and
- Moves the commencement date to 1 July 2013 with the first annual consolidation process to be completed by 30 June 2014.

ASFA's sole concern is the lack of clarity as with regards to the Australian Securities and Investments Commission (ASIC) view of the operation of the Corporations Act's significant event notification rule with respect to the merging of a member's accounts.

Schedule 6 - Government co-contribution for low income earners

Schedule 6 to this Bill amends the *Superannuation (Government Co-contribution for Low Income Earners) Act 2003* by:

- Reducing the maximum rate of payment for the superannuation co-contribution from 100 per cent to 50 per cent;
- Decreasing the maximum amount payable from $1,000 to $500;
- Extending the freeze on the indexation of the lower income threshold for the 2012-13 income year; and
- Setting the higher income threshold at $15,000 above the lower income threshold (down from $30,000).

ASFA noted that, while any reduction to the co-contribution measure is less than desirable, this change should not be considered in isolation but in conjunction with the low income superannuation contribution (LISC) measure.

Under the LISC individuals with adjusted taxable incomes up to $37,000 will benefit from a payment to their superannuation account of an amount equal to 15% of the concessional contributions paid in respect of the individual, representing the approximate amount of tax paid by superannuation funds in respect that member, up to a maximum of $500 per individual each year.

As the LISC compensates low income earners for the fact that the contribution tax paid from their superannuation account is levied at a rate higher than their effective marginal tax rate ASFA considers it critical the LISC be retained in its current form.