File Name: 2013/18

3 May 2013

Income Tax Relief to Facilitate the Government's MySuper Reforms

The ASFA submission in response to the request for comments on the draft legislation implementing the Government's announcement that it would provide income tax relief to ensure default members of superannuation funds are not adversely affected if their account balances are mandatorily transferred to another fund as a result of the MySuper reforms strongly supported the proposed relief.

While the legislation will be effective in achieving its stated aim, there will be considerable difficulties faced by funds in its implementation with respect to tax deductions for personal contributions, contribution splitting and CGT rollover relief.

Tax deductions for personal contributions
ASFA sought a Treasury review of the ATO's TR 2010/1 example 10 (see paragraphs 94 to 99J), with a view to Treasury understanding the complex administration problems created by the ATO's interpretation of the law and considering amending the law to resolve this specific situation and the situation more generally.

Contribution splitting
Without relief, a member will be required to provide a notice to split contributions prior to the compulsory rollover being undertaken. ASFA suggests that, to avoid the potential that a member may be disadvantaged, the law should be amended to allow the contributions splitting notice to be served on the member's MySuper successor fund.

CGT rollover relief
ASFA suggested that the example at Paragraph 1.23 be rewritten to provide a more realistic example.

Other matters
ASFA raised concerns at the lack of relief where a member's accrued default amount is moved within a fund to a MySuper product and the underlying investment is held in a PST or life company and recommended the draft be amended to resolve the issue.

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