



27 April 2016

Superannuation Tax Reform
Retirement Income Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: superannuation@treasury.gov.au

Dear Madam/Sir,

SMSF ASSOCIATION FEEDBACK ON SUPERANNUATION REFORM PACKAGE – MINOR AND TECHNICAL AMENDMENTS

The SMSF Association welcomes the opportunity to make a submission on the Government's minor and technical amendments to the superannuation reform package.

Amendments in relation to TRISs

We support and welcome the Government's proposed changes to ensure that where a TRIS holder satisfies a nil cashing restriction condition of release their TRIS is treated in the same way as an account based pension (ABP).

However, we do believe that the law is made more complex by having two types of TRIS – one with taxable earnings and one without. An extension of this is also that one type of TRIS will count towards the transfer balance cap (TBC), while the other will not.

By structuring the amendment this way, the legislation also creates no real incentive for individuals on a nil cashing TRIS to ever to convert to an ABP. In practice, these income streams will continue in the industry in more prevalence than ABPs. If an individual did want to convert to an ABP, for example to lose the 10% maximum withdrawal restriction, they would have to do this via method of commutation and re-commencement and thus the amendment does not ease the compliance burden they normally face would normally face and intends to reduce.

Having three types of pensions also creates additional complexity for the superannuation industry. SMSF software and service providers who will have to calculate tax on differing TRIS and collect additional information on conversion date. Financial advisers will have additional burdens in determining the types of TRIS a client has when an adviser gains a new client or an existing client starts a TRIS. Actuaries will also need to determine types of TRIS and if a condition of release met. Finally, trustees and the public do not need the inclusion of a third income stream that adds confusion and principally functions no different to an ABP.



We believe that these unintended complexities can be avoided by adopting a simpler approach of amending the *Superannuation Industry (Supervision) Regulations 1994* so that where a TRIS holder satisfies a nil cashing restriction condition of release their TRIS can automatically be converted to an ABP upon an acknowledgment from the member.

This allows existing TRIS to still be grandfathered for Centrelink purposes if they started before 1 January 2015, as the income stream will not have ceased. Furthermore, having members decide when their TRIS converts will also allow them and their advisors to better plan for the transfer balance cap and various other retirement issues and also gives them control. This is an essential aspect of the new superannuation reforms.

If the conversion was automatic upon a condition of release it would mean advisors and members would need to be immediately 'on the ball' when a condition of release is met and this could have adverse effects on their transfer balance cap if not managed correctly. This places a compliance burden on advisors and members which is against the intent of the legislation.

The SMSF Association is supportive of the amendments to allow all TRIS access to CGT relief.

Remainder of the minor and technical amendments

We are supportive of the remaining amendments in the package for necessary and intended operation of the law.

If you have any questions about our submission please do not hesitate in contacting us.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jordan George'.

Jordan George
Head of Policy
SMSF Association