

Ms Jessica Carew  
Contributions and Accumulation Unit  
Personal Retirement and Income Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

09 May 2013

Dear Ms Carew

### **FSC submission on Sustaining the Superannuation Contribution Concession**

The Financial Services Council (FSC) welcomes the opportunity to comment on the draft Bill to implement the 2012-13 Budget measure to implement the higher concessional contributions tax rate for those Australians earnings over \$300 000 per annum.

The FSC represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, private and public trustees. The FSC has over 130 members who are responsible for investing \$1.8 trillion on behalf of more than 11 million Australians.

The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the fourth largest pool of managed funds in the world. The FSC promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.

#### *Defined contributions funds*

The FSC does not have significant operational concerns in relation to the application of the measure on defined contribution schemes.

The FSC notes that the Government has taken into account the concerns of industry and the risk that, should the implementation burden have fallen upon industry, there would have been significant cost implications for superannuation funds and fund members.

The Bill does, however, require the issuing of paper notices by the ATO to superannuation funds. The Bill does not contemplate electronic notifications. The FSC is concerned that this approach is outdated and does not recognise modern business practices amongst most superannuation funds.

From the date of notification superannuation funds are afforded only thirty days to process the paper notice. Thirty days is a short timeframe for funds with millions of individual members, and paper processing can consume a significant portion of this timeframe. Electronic notification, even in conjunction with paper notification, would assist funds to cost effectively comply with this timeframe and expedite the process.

Mandated paper processing also contradicts other Government and industry efforts to modernise internal processing by establishing electronic data transfers and communication

within and between funds as well as Government institutions, such as through the Super Stream reforms.

*Defined benefit funds*

The Bill provides that, for defined benefit funds, the trustee must have an actuary calculate the notional contributions of the member for the purpose of applying the higher contributions tax rate. The FSC endorses taking this approach to calculating the notional contribution of a defined benefit fund member, however proposes a slight variation to improve the efficiency of the process.

At present trustees of these funds, under Division 292, are already required to provide an actuarial certificate to the ATO with an identical calculation of contributions, except that a \$25 000 concessional contributions cap is applied.

The FSC recommends that the Bill be amended so that a variation of this actuarial certificate, without the notional contributions capped, be taken to satisfy the ATO that the new requirement has been met.

Please feel free to contact me on 02 8235 2566 if you have any further questions or comments in relation to this submission.

Yours sincerely



**BLAKE BRIGGS**  
SENIOR POLICY MANAGER