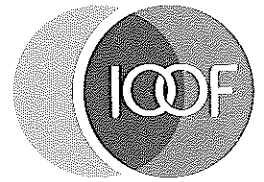


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24 AUG 2012



21 August 2012

General Manager  
Business Tax Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Dear Sir /Madam

### **Taxation relief for merging superannuation funds**

IOOF Holdings Ltd ("IOOF") welcomes the opportunity to make a submission in respect of the proposed taxation relief for merging complying superannuation funds ("taxation relief"), as announced by the Minister for Financial Services and Superannuation in his press release of 3 August 2012.

IOOF welcomes the reinstatement of temporary taxation relief in the form of loss relief and capital gains tax and revenue asset roll-over for merging superannuation funds, to help facilitate the implementation of the Stronger Super reforms.

IOOF, through its subsidiaries, has in excess of \$100 billion in Funds Under Management and Supervision (at 31 March 2012) and provides services and products to in excess of 630,000 members (at 30 June 2012) throughout Australia.

The creation of a MySuper product inside our superannuation funds would allow our members to access a default superannuation option that provides superior outcomes for members' retirement savings.

The implementation of SuperStream will allow our members to consolidate multiple accounts and assist in reuniting lost super. This will reduce administration fees and insurance premiums on multiple accounts to maximise members' retirement benefits.

IOOF participated in the original taxation relief that ended 1 October 2011. This resulted in the successor fund transfer ("SFT") of 5 superannuation funds into one master superannuation fund.

#### **MySuper**

Due to the limitation of the original taxation relief in not extending rollover relief to Pooled Superannuation Trusts ("PSTs"), and to ensure our members retained the value of their superannuation interests, a number of IOOF funds currently have investment structures which include both distributing investment funds and PSTs within the same investment vehicle.

To enable a superannuation fund to comply with the requirement of the MySuper reforms, the fund must have a single, diversified investment strategy in relation to those assets that are attributable to

the MySuper product<sup>1</sup>. In addition, a key requirement for a MySuper product is that earnings must be credited on the same basis across all MySuper accounts. Therefore to be able to comply with the MySuper requirements, IOOF's funds are unable to continue to operate under their current investment vehicle structure. Changing the investment vehicle structure without access to taxation loss rollover relief will have detrimental effects to the affected members in the fund whose benefits will be compulsorily transferred to MySuper by 2017 as they may lose the benefit of accumulated losses.

IOOF submits that the proposed taxation relief should extend to allow a PST, which is a party to an arrangement with the existing superannuation fund, to be successor fund transferred into the existing superannuation fund which is using that PST as an investment vehicle. This would have the effect of allowing the assets of the PST to become direct assets of the fund.

The original entity would also be a continuing entity in this situation. This would provide appropriate taxation relief to superannuation funds to be able to rationalise their investment vehicles in order to comply with the MySuper product requirements. Example 1 in **Attachment A** illustrates the potential investment vehicle rationalisation situation.

IOOF submits that rationalisation of PSTs as an investment vehicle has a similar potential to reduce member fees to that of an actual merger of superannuation funds.

To ensure that issues associated with embedded value from capital losses do not act as an impediment to these rationalisations, IOOF submits that the regulations consider instances where the complying superannuation fund (the original entity) ceases to hold its CGT assets in units in a PST, effectively merging the PST with the superannuation fund, and the availability of loss rollover relief in this instance.

IOOF submits that extending rollover relief to apply to the rationalisation of PSTs as an investment vehicle will have no additional revenue implications over that which have been announced. By rolling over full cost base history, tax on realised gains and losses would be paid at the same time as if no rationalisation had occurred.

We believe this was the original policy intent envisaged in the May 2012 Proposals Paper at paragraphs 4.2, 4.2.1, 4.2.2 where tax relief would be made available to facilitate the mandatory transfer of benefits to the MySuper product and that relief would apply regardless of whether the arrangement involved a merger of superannuation funds or not. We believe the legislation should reflect this.

### **Superstream – consolidating multiple accounts and reuniting lost super**

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<sup>1</sup> MySuper products must have a single, diversified investment strategy in relation to those assets that are attributable to the MySuper product. Superannuation Legislation Amendment (MySuper Core Provisions) Bill 2011 [*Schedule 1, item 9, division 3, paragraph 29TC(1)(a)*].

Lost and unnecessary multiple superannuation accounts can have a significant impact on the retirement savings of individuals concerned and also add to fund administration costs. Currently processes for individuals wishing to consolidate accounts or obtain lost super can be cumbersome.


When members consolidate their multiple accounts within the same superannuation fund, CGT event A1 is triggered, through the buying and selling of assets from the PST, direct investments or both.

Consistent with our view that tax relief should apply where default accounts are transferred to MySuper by 2017, IOOF submits that taxation relief should also extend to the consolidation of multiple accounts within the same superannuation fund. The CGT event that occurs should be disregarded as there is no change in beneficial ownership.

Once again, we thank you for the opportunity to provide our comments in relation to the consultation papers.

Should you have any queries in relation to this submission, please do not hesitate to contact me on (03) 6215 5907

Yours sincerely



*per*  
Donna Adams

Head of Tax, IOOF Holdings Ltd