NORTHERN TERRITORY SUBMISSION TO EXPOSURE DRAFT

TAX LAWS AMENDMENT (SUSTAINING THE SUPERANNUATION CONTRIBUTION CONCESSION) BILL 2013 and AMENDMENT REGULATION 2013

The Northern Territory was not in a position to comment on the draft Bill until release of the related draft Regulations on 31 May 2013.

Background to NT Schemes

The Northern Territory has six defined benefit superannuation schemes which are classified in schedule 1AA of the SISR as Exempt Public Sector Superannuation Schemes (EPSSS):

- Administrator's Pension Scheme – closed, non-contributory;
- Legislative Assembly Members' Scheme (LAMS) – closed, contributory;
- Judges Pension Scheme – open, non-contributory;
- Northern Territory Police Supplementary Benefit Scheme - closed, contributory;
- Northern Territory Supplementary Superannuation Scheme (NTSSS) - closed, non-contributory; and
- Northern Territory Government and Public Authorities' Superannuation Scheme (NTGPASS) – closed, contributory.

All schemes currently report a Nil notional taxed contribution, other than the LAMS scheme which reports an amount up to the cap. Under the proposal all schemes will be required to report a defined benefit contribution. This will create a potential problem for the main superannuation scheme administered by the NT (NTGPASS), which prior to its closure in 1999 was the default scheme for the NT public sector.

NTGPASS is a hybrid scheme which has an unfunded defined benefit component and an accumulation (member contribution) component. The notional taxed contribution for NTGPASS is reported as Nil, while all concessional contributions made by members via salary sacrifice are reported.

Comment

NTGPASS is the only NT public sector defined benefit scheme which accepts voluntary member contributions. The proposed reporting of a <u>defined benefit contribution</u> to the Commissioner of Taxation (for the purpose of inclusion towards low tax contributions), needs to be separated from the reporting of <u>notional tax contributions</u> so as not to impact on member contributions made towards the concessional contributions cap. Any other outcome would unfairly impact on members. Similarly for all other NT schemes, separate reporting of the defined benefit contribution will ensure there is no risk of the member being assessed as exceeding the concessional contribution cap.

An additional issue relates to the deferred debt for defined benefit interests - "The end benefit cap is 15 per cent of the employer financed component of the value of the superannuation interest that accrued after 1 July 2012." This raises the question whether the accrued interest as at 1 July 2012 must be reported for each member, and if so, when and how it must be reported.

In summary, the main issues of concern are:

1. When reporting employer contributions to the ATO, the defined benefit contribution must be separately identified from the notional taxed contribution; and
2. Reporting of the accrued defined benefit interest.

There are a number of other concerns in regard to the proposed introduction from 1 July 2012:

- additional complexity to the taxation of members benefits, and ability to provide adequate explanation to members;
- the late release of detail has not enabled sufficient communication to members;
- severe time constraints for system changes;
- calculation of the defined benefit contribution determined by actuarial assessment will add costs to the administration of the schemes, therefore to all members, not just those with income greater than $300 000.

6 June 2013

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