

To Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

20 June 2013

Dear Sir / Madam

Proposed Income Tax Relief to Facilitate the Government's MySuper Reforms

We refer to the Inquiry relating to the Superannuation Laws Amendment (MySuper Capital Gains Tax Relief and Other Measures) Bill 2013 ("Bill") which proposes income tax relief to facilitate the Government's MySuper reforms.

Thank you for the opportunity to comment on the proposed relief.

The Bill provides income tax relief so that members are not adversely affected if their superannuation benefits are mandatorily transferred under the MySuper reforms (1.16 of the Explanatory Memorandum). As currently drafted, the Bill only provides relief where a member's default account balance is transferred from one superannuation fund to a MySuper compliant product in another superannuation fund.

Transfers into a MySuper offering within that same superannuation fund (i.e. intra-fund transfers) do not benefit from the relief. This limitation disadvantages funds that wish to move their existing members into a MySuper offering within the same superannuation fund in order to improve efficiency and reform outdated investment structures. In our view, broadening the relief provided in the Bill to permit movement between two products or structures within the same fund would remove potential detrimental impacts to members who hold their superannuation savings through these structures.

Extending relief to intra-fund transfers would also be more consistent with the policy objectives of the MySuper reforms. The MySuper reforms have a mandatory requirement to transfer member's accrued default balances to a MySuper compliant "product". In our view tax relief provided for this purpose should not prejudice one approach to MySuper compliance over another i.e. it should not matter if members are placed into a MySuper compliant product either through re-badging of an existing product or the transfer of the member's balance from fund to fund or product to product provided the primary purpose is to ensure MySuper compliance.

Under ANZ's master trust structure, member contributions are invested through a master life policy (as premiums) issued by a life insurance company. The life insurance company establishes segregated asset pools to invest the premiums under the master life policy. This is a historic structure compared to the direct investing structure which is now common practice in the industry.

ANZ has also established a new product supported by a direct investing structure, known as ANZ Smart Choice Super, which is an industry leading, simple product with low fees. ANZ Smart Choice Super will provide the basis of our MySuper compliant product. If the relief is broadened we would rely on it to move our members domiciled within a life company structure to the direct investing structure (within the umbrella of the same master trust i.e.

the beneficial owner will not change). Without relief this transfer would trigger a capital gains tax event.

A key consideration in exercising our trustee discretion to transfer a member's account balance is the diminution in value of the account balance by the loss of the benefit of the tax losses.

Given the Deferred Tax Asset is built into the member's current unit price, a member's account would ultimately need to be reduced by the amount of the Deferred Tax Asset were the member's benefit transferred, and the value of the loss could not be transferred. This is potentially a disadvantage to our members as compared to members who have been given relief through this Bill in other superannuation structures.

Additionally, we request that relief be extended to all members and not just members with "accrued default amounts". The draft Bill, by not extending the proposed tax relief to both default and choice members will see default members being able to access the relief, while choice members cannot. This will have the effect of forcing the transferring entity to maintain its old entity for the choice members (around 10% of membership) that remain. This inequity between members is an unintended consequence of the legislation.

Once members with accrued default amounts have been mandatorily transferred, the remaining 'choice' members would represent a smaller proportion of the product. As a result, it would be less efficient to continue to administer those members within those products. We would be better able to provide those 'choice' members with a more cost effective superannuation product if we were able to transfer them with the default.

Yours sincerely

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ANZ Wealth