



**Institute of
Chartered Accountants
Australia**

9 November 2012

The Secretary
Senate Economics Legislation Committee
P O Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir,

Inquiry into Treasury Legislation Amendment (Unclaimed Money and Other Measures) Bill 2012

The Institute of Chartered Accountants in Australia (the Institute) would like to take this opportunity to make the following comments in relation to the superannuation measures contained in Treasury Legislation Amendment (Unclaimed Money and Other Measures) Bill 2012.

The Institute is the professional body for Chartered Accountants in Australia and members operating throughout the world.

Representing more than 70,000 current and future professionals and business leaders, the Institute has a pivotal role in upholding financial integrity in society. Members strive to uphold the profession's commitment to ethics and quality in everything they do, alongside an unwavering dedication to act in the public interest.

Chartered Accountants hold diverse positions across the business community, as well as in professional services, government, not-for-profit, education and academia. The leadership and business acumen of members underpin the Institute's deep knowledge base in a broad range of policy areas impacting the Australian economy and domestic and international capital markets.

The Institute of Chartered Accountants Australia was established by Royal Charter in 1928 and today has around 60,000 members and more than 12,000 talented graduates working and undertaking the Chartered Accountants Program.

The Institute is a founding member of the Global Accounting Alliance (GAA), which is an international coalition of accounting bodies and an 800,000-strong network of professionals and leaders worldwide.

If you have any questions regarding our submission, please do not hesitate to contact me on _____ via email on _____.

Yours sincerely,

Liz Westover
Head of Superannuation

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Schedule 4 – Superannuation***Superannuation (Unclaimed Money and Lost Members) Act 1999***

The Institute is supportive of measures that will assist in protecting the retirement savings of Australians. We believe the movement of lost or unclaimed superannuation amounts to the Australian Taxation Office (ATO) where they are not eroded by fees is a sensible measure that operates in the public interest and individual members' interest.

The Institute is supportive of the amendments proposed in the Bill in relation to the *Superannuation (Unclaimed Money and Lost Members) Act 1999*.

Interest payable

The Institute supports the measures that will ensure amounts transferred to the ATO will effectively earn interest while being held. This assists in enabling balances to grow as well as protecting them from fees that would otherwise have been imposed by superannuation funds continuing to hold those balances.

Balance threshold for transfer

We believe the increase in the dollar threshold for transfer of balances to the ATO is appropriate. At this level, meaningful amounts of retirement savings can still be protected from erosion through fees and also be eligible for earnings in the form of interest payments once amounts are with the ATO. We believe this is in the interests of members. It also provides a longer term view of the super system whereby amounts protected now will lessen the impact of reliance on aged pension and government resources later.

Timing of transfer of inactive accounts

The Institute supports the reduction of the time frame for transfer of lost amounts from five years to 12 months to the extent that this only relates to amounts that are inactive accounts of unidentifiable members. Where an account is clearly a lost member account, there has been no activity on that account for a period of time AND the super fund is satisfied that it will never be possible for them to pay an amount to the member, it makes sense to transfer that amount to the ATO where no fees will be payable, will earn interest and enable the ATO to use its resources to repatriate the money to its rightful owner.

Lost members

We do not believe that the current explanatory memorandum (EM) for the Bill adequately explains the operation of these measures. A person *is* able to hold a super account in which no contributions are made for greater than five years and ensure that the fund will not determine that it is a lost account. It is our understanding that in Example 4.2 of the EM, Poppy would not necessarily be categorised as lost member if her fund had within the last two years verified that her address was correct and had no reason to believe it was now incorrect, or Poppy had notified the fund of her wish to continue as a member. Examples such as this may explain some confusion as to the operation of the new measures.

We believe that the ability for members to continue to hold an inactive account is appropriate where the fund is able to provide them with information about their fund (ie provision of annual statements to a correct address) and/or that person proactively elects to be a member, albeit inactive.