Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: BET 106

Topic: Capital Gains Tax and Relief to Super Reforms

Hansard Page: Wednesday 30 May 2012, page 78 & 79

Senator CORMANN asked:

Senator CORMANN: I have a couple of quick questions in relation to the capital gains tax and loss relief to facilitate superannuation reforms. Is that for Ms Barron?

Ms Barron: Yes.

Senator CORMANN: You would remember that there was a similar measure in your 2009-10 budget. In fact, it was the exact same measure except that it was for the period 24 December 2008 to 30 June 2011 and then subsequently extended to 30 September 2011. At that time the government said the measure had an unquantifiable but minimal cost to revenue. Given that the parameters of the measures are identical, why have you now said that it has a $5 million cost to it per annum? On what basis is that?

Ms Barron: I would have to take that question on notice about the difference in the costing between the two measures. I know there is a slight difference between the two measures.

Senator CORMANN: What is the slight difference?

Ms Barron: I thought you would ask that question if I said that. Again, I will have to check on that.

Senator CORMANN: So you know there is a difference but you just do not know what it is?

Ms Barron: Yes.

Senator Wong: She wants to make sure she is very accurate in her answer to you. She is going to give it to you on notice, but she is making sure that she is very precise about the response.

Senator CORMANN: Just conceptually—

Senator Wong: Conceptually.

…

Senator CORMANN: The exact same measure has been on the table before. Treasury officials tell me that there is a slight difference. They are not able to tell me what the difference is.

Mr Heferen: I was just making the observation that, given that there is a cost in there now, the assumption behind the costing would presumably be that, if the rollover were put in place or the exemption to capital gains tax allowed the merger to take place, some would still do the merger, even if it were there, so there would be some capital gains tax.

Senator Wong: It is very small.

Mr Heferen: So, by taking it away there would be capital gains tax forgone. As Ms Barron said, we will take it on notice to give you the information as precisely as we can, but clearly, having the cost there, I would have thought underlying that would be the assumption that there will be a cost to revenue and the cost to revenue would presumably be the foregone CGT.

Senator CORMANN: If that is the case, why did you say there would only be an unquantifiable but minimal cost to revenue when you pursued the exact same measure in the 2009-10 budget?

Senator Wong: We have not accepted that.

Mr Heferen: Even if it is the same or different—

Senator Wong: I was just going to say: I thought this was the proposition. You are phrasing the exact same measure when I thought that the evidence from the officer—who I acknowledge has taken it on notice and will check—was her belief that there was some small policy change between the previous measure and this one. I am taking issue with the way you constructed the question.

Senator CORMANN: The only difference that I can see—and I have looked at this very closely—is that there is a difference in the time period over which it is available. Before it was over a period of just under three years and now it is ongoing. Is it ongoing?

Ms Barron: I will have to take it on notice.

Senator CORMANN: So you are not really across this measure much?

Ms Barron: I am not across the detail of the measure, no.

Answer:

The 2012-13 Budget measure to provide taxation relief for mergers of superannuation funds to facilitate *Stronger Super* differs from the 2009-10 Budget measure.

The significant differences of the 2012-13 Budget measure are:

- an asset roll-over will be available for all capital gains;
- losses will be treated as having been made in the income year that they were transferred (this prevents losses being used to offset gains in earlier income years);
- self-managed superannuation funds are excluded from the relief; and
- a loss transfer and asset roll-over will be available for mandatory transfers of default members' benefits and relevant assets under the *MySuper* reforms where the superannuation funds involved in the transfers do not merge.

The 2012-13 Budget measure is not ongoing and the taxation relief for mergers applies from 1 June 2012 to 1 July 2017. The taxation relief to facilitate mandatory transfers under *MySuper* applies from 1 July 2013 to 1 July 2017.

In addition to the differences in policy noted above, the 2009-10 and 2012-13 Budget measures were submitted at different times so more information on losses was available for the later measure. Further information on the costings approach of Treasury and Department of Finance and Deregulation can be found in the *Charter of Budget Honesty - Policy Costing Guidelines* available from the Treasury website.