



**Chartered
Accountants**

NUMBER ONE IN NUMBERS

19 January 2007

Committee Secretary
Senate Legal and Constitutional Affairs Committee
Parliament House
Canberra ACT 2600
legcon.sen@aph.gov.au

Dear Sir/Madam

Re: Inquiry into the Bankruptcy Legislation Amendment (Superannuation Contributions) Bill 2006

The Institute of Chartered Accountants in Australia welcomes the opportunity to make a submission to the Parliamentary inquiry into the *Bankruptcy Legislation Amendment (Superannuation Contributions) Bill 2006* (the Bill).

The Institute made a submission in relation to the ITSA consultation paper 'Effect of bankruptcy on superannuation contributions', and we are pleased to note that the points raised by us in that submission have either been dealt with in the Bill, or not proceeded with.

In relation to the Bill, the Institute commends the Government on the consultation process followed in the development of this legislation. We believe that this Bill represents a workable solution to protect the rights of the bankrupt and the creditor.

Interaction of the Abolition of RBLs with the *Bankruptcy Act*

Currently, in the event of a bankruptcy, the superannuation and life insurance assets of the bankrupt are protected, up to the limit of the pension reasonable benefit limit (RBL) [sec 116 (2D)(5) of the *Bankruptcy Act 1966*]. With the abolition of RBLs under the *Simplifying Superannuation* reforms, this provision of the *Bankruptcy Act* will need to be amended.

The Institute believes that the existing protection provided by the *Bankruptcy Act* should be retained, with the level of protection being referenced to an appropriately indexed amount. Having regard to the current level of the pension RBL, which is \$1,356,291 for the 2006-07 financial year, we would recommend a base protection level of \$1.4 million, indexed on an annual basis in line with the methodology adopted in the *Tax Laws Amendment (Simplified Superannuation) Bill 2006*, i.e. Average Weekly Ordinary Time Earnings (AWOTE) rounded down to the nearest \$5,000 increment.

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Please feel free to contact the Institute's Manager of Government Relations, Dr Barbara Carney on 6282 0591 or carney@icaa.org.au with any queries.

Yours sincerely

Bill Palmer
General Manager
Standards and Public Affairs

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