

11 August 2011

The General Manager
Business Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: cgt_super_roll-over@treasury.gov.au

RE: Exposure Draft - Extend the temporary loss relief for merging superannuation funds by three months

Dear Sir/Madam,

The Australian Institute of Superannuation Trustees (AIST) is an independent, not-for-profit professional body whose mission is to protect the interests of Australia's \$450 billion not-for-profit superannuation sector. AIST's members are the trustee directors and staff of industry, corporate and public-sector superannuation funds, who manage the superannuation accounts of two-thirds of the Australian workforce.

In making its submissions to Treasury, AIST wishes to comment on the following regarding the proposed Exposure Draft (ED).

Our position

Overall, AIST has been supportive of the need for this relief and we applaud moves to extend the relief period. However, we would like to take this opportunity to remind you of the context that this relief resides in.

The global financial crisis revealed serious financial impacts for all entities that hold capital assets. We have been reminded of this by events on global financial markets over the last few weeks. Although we do understand that a line must be drawn somewhere, we draw your attention to the perception of unfairness that arises if some members of superannuation funds are deprived of the tax benefits that arise out of capital losses if only due to the seemingly arbitrary decision to merge.

In addition, the MySuper initiative is fundamental to the Australian superannuation environment moving forward. For a lot of funds, it will be the central reason why funds may be considering mergers. Although the Government's present position on

recommendation 10.11 (the recommendation that “CGT rollover relief should be... permanently available to the [superannuation] industry”) from the Cooper Review is one of “do not support”, the government indicated clear support in principle for “appropriate relief for superannuation funds which are required by APRA to merge in order to meet MySuper licence conditions”. AIST believes that it is necessary to extend this relief as far as possible, at least until an announcement is made concerning structural questions, in particular, those that relate to MySuper, which are raised during the Stronger Super consultation. We also believe that it is necessary that funds are provided with full clarity regarding their CGT obligations as they begin to plan and implement the Stronger Super initiatives.

We have previously noted that the cost to members of mergers proceeding without CGT relief may be in the magnitude of tens of millions of dollars. In the investor climate of the past few weeks, we are obliged to stand by this observation, pointing to current market volatility as further evidence of this cost.

With this in mind, although we support the measure to extend the relief contained within this ED to 30 September 2011, we also re-iterate our recommendation of earlier this year to extend the relief to the 30 June 2013: The day before the date at which MySuper may be offered to new superannuation fund members for the first time.

If you have any further questions regarding this submission, please contact Tom Garcia, Policy and Regulatory Manager on (03) 8677 3804 or tgarcia@aist.asn.au.

Yours sincerely,

A handwritten signature in cursive script that reads 'Fiona Reynolds'.

Fiona Reynolds
Chief Executive Officer