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9 August 2006

General Manager
Superannuation, Retirement and Savings Division
The Treasury
Langton Crescent
PARKES ACT 2600

BY EMAIL TO simplersuper@treasury.gov.au

Dear Sir/Madam,

RE: SUBMISSION - COMMONWEALTH BUDGET 2006–07

Please find attached our submission on the "Commonwealth Budget 2006–07 as issued for public comment on 9th May 2006.

Should you have any queries with respect to this submission, please do not hesitate to contact the writer.

Yours faithfully

John Holland

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Encl.

Commonwealth Budget 2006–07
(released on 9th May 2006)

Submission by Australian Administration Services Pty Ltd
9th August 2006

Australian Administration Services ("AAS") appreciates the opportunity to make a submission to the Treasury.

AAS is one of Australia's largest providers of administration and customer services to the industry and corporate superannuation market. We currently provide these services to over 3.5 million members and 165,000 employers.

Our submission comments on the following: -

1. Taxation of benefit payments
2. Reasonable Benefit Limits
3. Superannuation pensions
4. Deductible contributions
5. Undeducted contributions
6. Tax deductions
7. Tax File Numbers
8. Portability

In this submission, we use the term 'Budget Plan' to refer to the Government's 84-page "A Plan to Simplify and Streamline Superannuation – Detailed Outline", dated May 2006.

1. Taxation of benefit payments

Under the Budget Plan, lump sum Eligible Termination Payments (ETPs) would be:

- Divided into two components
- Tax free after age 60

Proposed arrangements – 01.07.2007	Current arrangements
• ETPs would have 2 new components only: • Exempt component – tax free • Taxable component – taxed 0% to 20%	• ETPs comprise up to 8 components, taxed at various rates
Members aged under 55 • Taxed component – taxed 20%	Members aged under 55 • Post-June 83 component – taxed 20%
Members aged 55 – 59 • First $135,590 (to be indexed) – tax free • Balance – taxed 15%	Members aged 55 – 59 • First $135,590 (2006-07) – tax free • Balance of post-June 83 component – taxed 15%
Members aged 60 or older • Tax free	Members aged 60 or older • First $135,590 – tax free • Balance of post-June 83 component – taxed 15%

AAS comments on the proposed arrangements

We welcome the proposed changes to taxation of lump sum ETPs.

We note the Budget Plan states "*All funds would be required to calculate a pre-July 1983 amount as at a particular date under the existing legislative formula — that amount would then become a fixed component that would not change in the future and would then form part of the new exempt component.*"

We suggest that this date be any date other than 30 June 2007 or 1 July 2007. This would avoid complex operational and systems issues at that time of the year, when most funds calculate and prepare annual review data. We suggest a date of 17 June 2007 may be appropriate.

Recommendation 1:
We recommend a date of Sunday 17 June 2007 for calculating members' pre-July 1983 components.

1. Reasonable Benefit Limits

Reasonable Benefit Limits (RBLs) determine:

- The maximum amount of concessionally taxed benefits over a person's lifetime

Proposed arrangements – 01.07.2007	Current arrangements
• RBLs would be abolished	• Two RBLs apply. For 2006-07, they are: • Lump sum RBL – $678,149 • Pension RBL – $1,356,291 • Transitional RBLs apply
• RBL reporting would be abolished	• Funds provide monthly RBL reporting to the ATO

AAS comments on the proposed arrangements

We welcome the proposed abolishment of RBLs.

We note how RBLs are used for purposes other than the taxing of superannuation benefits, for instance bankruptcy (section 116(5) of the *Bankruptcy Act 1966*).

Whilst these do not affect superannuation funds directly, we would be pleased to see confirmation that such other relevant legislation will be updated by 1 July 2007.

3. Superannuation pensions

The Budget Plan recognises that superannuation legislation contains rules for five different pension products and seven different annuity products, each with their own separate payment rules. The Plan states the Government's aim is to have new minimum standards for all pensions after 1 July 2007.

AAS administers funds that offer up to three types of pension products:

- Allocated pensions
- Term allocated pensions
- Transition to retirement pensions

Our comments on the Budget Plan are limited to these products.

Proposed arrangements – 01.07.2007	Current arrangements
<u>Members aged under 60</u> • Included as income and taxed at marginal rates • Actual tax may be lower due to other changes • 15% tax rebate available to all pensioners	<u>Members aged under 60</u> • Included as income and taxed at marginal rates • 15% tax rebate available to some pensioners
<u>Members aged 60 or older</u> • Tax free	<u>Members aged 60 or older</u> • Included as income and taxed at marginal rates
<u>Minimum payments each year</u> • PVFs would be abolished • Simplified minimum payment factors would apply	<u>Minimum payments each year</u> • Pension Valuation Factors (PVFs) determine minimum payments
<u>Maximum payments each year</u> • PVFs would be abolished • Maximum payment limits would be abolished, except for transition to retirement pensions	<u>Maximum payments each year</u> • Pension Valuation Factors (PVFs) determine maximum payments
<u>Death of pensioner – reversionary pension</u> Deceased and reversionary pensioner < 60: • No change, except 15% rebate always applies Deceased or reversionary pensioner ≥ 60: • Tax free	<u>Death of pensioner – reversionary pension</u> • Taxed at the recipient's marginal tax rate less any deductible amount • Same tax rebate (if any) as for original pension
<u>Death of pensioner – lump sum payment</u> If paid to dependant: • Tax free If paid to non-dependant: • The new taxable component is taxed 15%	<u>Death of pensioner – lump sum payment</u> If paid to dependant: • Amount up to pension RBL is tax free • Excess is taxed at 38% If paid to non-dependant: • Special tax rates apply
Proposed arrangements – 20.09.2007	**Current arrangements**
<u>Assets test – Complying pensions</u> • Nil exemption if purchased ≥ 20.09.04	<u>Assets test – Complying pensions</u> • 100% exemption if purchased ≤ 19.09.2004 • 50% exemption if purchased ≤ 19.09.2007
<u>Assets test taper rate</u> • $1.50 per fortnight reduction in age pension for every $1,000 of assets above the threshold	<u>Assets test taper rate</u> • $3.00 per fortnight reduction in age pension for every $1,000 of assets above the threshold
<u>Income test</u> • Nil exemption	<u>Income test</u> • Nil exemption

AAS comments on the proposed arrangements

We welcome the proposed pension changes.

We note how the proposed changes remove any tax incentives for having or purchasing a term allocated pension (TAPs) products, namely:

- RBLs would be abolished (TAPs qualify for the higher pension RBL)
- The assets test exemption would be abolished (new TAPs currently receive a 50% assets test exemption)

Under current legislation, TAPs, unlike allocated pensions, generally can not be commuted. The Budget Plan does not address this. We suggest that TAP holders be allowed to transfer their existing TAP account to any other type of superannuation pension product, to take advantage of the Government's proposed simplified pension rules and to minimise any grandfathering.

Recommendation 2:
We recommend that all current superannuation pensioners be allowed to transfer their pension account balance to another type of pension from 1 July 2007.

4. Deductible contributions

Deductible contributions include:

- All employer contributions
- All salary sacrifice contributions
- Certain contributions by self-employed persons
- Certain contributions by individuals (personal contributions)

The latter two are not deductible contributions on receipt. But they may be reclassified as a deductible contribution if the member lodges a Section 82AAT Notice with their superannuation fund.

Proposed arrangements – 01.07.2007	Current arrangements
• Contributions up to $50,000 per annum per person would be taxed 15 per cent • Contributions over $50,000 would be taxed at the top marginal tax rate • A higher cap of $100,000 would apply to members aged 50 and over during the first five years (eg 2007-2012) • The ATO would identify any contributions above the $50,000 / $100,000 cap	• All contributions are taxed at 15 per cent
• Employers would be able to claim a tax deduction for all contributions	• Employers can claim a tax deduction for contributions up to age-based limits
• Self-employed persons would be able to claim a tax deduction for all contributions, and up to age 75	• Self-employed persons can claim a tax deduction for contributions up to age-based limits, and up to age 70
• Earnings on all contributions would still be taxed at 15 per cent	• Earnings on all contributions are taxed at 15 per cent

AAS comments on the proposed arrangements

If employer contributions, including salary sacrifice contributions, exceed the $50,000 cap, we note it would be the member who will be subject to tax and not the employer. This may be unfair in some circumstances.

It can happen that any excessive contributions were made as a result of a genuine error, which raises the question if funds can refund such amounts. Specifically, will sections 42 and 43 of APRA's Superannuation Circular No. II.B.1 – Payments to standard employer-sponsors (October 1998) apply to excessive contributions:

> **Repayment of amounts paid in error**
>
> 42. From time to time employer 'contributions' may be overpaid as a result of a clerical error, computer malfunction or other mistake. Similarly member contributions made on behalf of the member by the employer may have been wrongly remitted by the employer.
> 43. For the purposes of section 117 [of the *Superannuation Industry (Supervision) Act 1993]*, these inadvertent overpayments are not considered to be contributions under SIS. Therefore, repayment of these excess amounts to the employer-sponsor is not a payment to which the section 117 provisions apply and notification is not required to APRA. The trustee of the fund has a responsibility to determine whether any overpayments have in fact been made in error and to rectify any mistake by returning the excess amounts to the employer-sponsor.

Clarification is required for members who attain age 50 during the first five years. For instance, if a member turns 50 on 30 June 2008, would the full $100,000 cap apply to the whole of the 2007-08 year or would there be some pro rata arrangement?

Self-employed persons are generally able to claim a tax deduction for their contributions. Currently, the maximum tax deduction is $105,113, with the Budget Plan proposing there would be no maximum from 1 July 2007.

When the contribution is made, it is treated as an undeducted contribution and therefore subject to the proposed new cap of $150,000 or $450,000 (see page 9). But if a self-employed person decides to claim a tax deduction for, say, a $90,000 contribution, the contribution is re-classified as a deductible contribution and, in this example, they would suddenly exceed the lower cap of $50,000.

Section 82AAT of ITAA 1936 describes the process for claiming a tax deduction. It includes the following:

82AAT(1A)	A person who is making or has made a contribution to a fund may give a written notice to the trustee of the fund, stating that the person intends to claim a deduction under this section for the whole or a specified part of the contribution.
82AAT(1B)(c)	A person cannot revoke or withdraw a notice (but may vary it under subsection (1C))
82AAT(1C)	A person may at any time give written notice to the trustee of a fund reducing the amount covered by a notice under subsection (1A), but not below the amount that has been allowed as a deduction to the person under this section for contributions covered by the notice.

With the proposed removal of a maximum deduction amount, it would seem that section 82AAT(1C) becomes obsolete. In the above example, the member would thus be unable to amend their claim for a $90,000 deduction and, hence, be taxed at the top marginal tax rate for the amount in excess of the cap, eg $40,000.

Superannuation funds are not required to report contributions to the ATO until 31st of October of the following year. The ATO will then need to assess the total amount of contributions made for an individual member, which may involve multiple funds. If the total amount exceeds the cap, the ATO would inform the fund which would then apply tax at the top marginal rate to the amount advised by the ATO. The elapsed time between an excessive contribution payment and an ATO assessment can therefore be up to 18 months

We have identified the following issues associated with this time gap:

- What to do if a fund receives an ATO assessment but the individual has transferred to another fund (or multiple funds)? Would it have to 'chase' the ex-member or would it return the assessment to the ATO?
- What if the ATO assessment is for a recent new member who has not yet made any contributions?
- What if the member has closed their super account and (a) has taken a cash payment, or (b) has purchased a superannuation pension, or (c) has died?
- How will the ATO determine to which fund it will issue an assessment if the individual has multiple superannuation accounts?

Our preferred scenario would be for the ATO to issue any assessment in respect of contributions that exceeded the cap **to the individual** rather than to superannuation funds. The individual could make payment of the additional tax directly to the ATO. Alternatively, individuals may be given the option to instruct their fund to deduct and pay the additional tax; this approach already exists for transfers from overseas superannuation or pension funds and would therefore avoid adding any new administrative complexity for funds.

Recommendation 3:
We recommend that either APRA or the new legislation clarifies whether there are any circumstances in which contributions in excess of the cap can be refunded. We suggest that such refunds would be allowed, with perhaps a time limit of two months from the date the contribution was received.

Recommendation 4:
We recommend that Section 82AAT of the *Income Tax Assessment Act 1936* be reviewed, in respect of both its operation in general and the proposed introduction of caps on contributions.

Recommendation 5:
We recommend that the ATO issues its assessments, in respect of an additional liability for tax on contributions that exceeded the annual cap ($50,000 / $100,000), to individuals and not to superannuation funds. The ATO would need to monitor any non-payment of such tax liability.

Recommendation 6:
If recommendation 5 is taken up, we recommend that individuals be given the choice of paying the additional tax to the ATO out of their own money or to instruct their superannuation fund to deduct the tax and pay this to the ATO on their behalf.

Recommendation 7:
We recommend that the final legislation states what date funds are to use to deduct any additional tax from members' accounts.

Recommendation 8:
We recommend that the amount of the cap be indexed.

5. Undeducted contributions

Undeducted contributions are generally:

- Personal contributions made from after-tax income, including contributions made by self-employed persons

They also include:

- Transfers from overseas superannuation funds
- Payments as a result of a disablement claim

Proposed arrangements – 09.05.2006	Current arrangements
• Undeducted contributions would remain untaxed.	• Undeducted contributions are not taxed.
• A maximum total contribution of $150,000 per annum per person (the "cap") would be allowed. • Contributions over $150,000 would be refunded to the individual. • Large transfers from overseas superannuation funds and disablement claim payments would be caught by the new cap.	• No cap on any undeducted contributions
• Any earnings on contributions below the cap would continue to be taxed at 15 per cent • Any earnings on such excessive contributions *"would be effectively taxed at the top marginal rate"* before these contributions are refunded	• All earnings are taxed at 15 per cent.
• Simplified tax deduction rules would apply for personal contributions	• Complex tax deduction rules apply for personal contributions
• Self-employed persons would be able to claim a tax deduction for all contributions, and up to age 75	• Self-employed persons can claim a tax deduction for contributions up to age-based limits, and up to age 70
Treasurer's press release no. 058: *"Transitional issues that apply immediately"* – 13.06.2006 • The proposed $150,000 cap would be replaced with a $450,000 cap over three years.	

AAS comments on the proposed arrangements

We note that the proposed effective date of the new cap is 9th May 2006. We therefore recommend that this be legislated urgently.

Large transfers from overseas superannuation funds and disablement claim amounts are, perhaps unintentionally, caught by the new $150,000 / $450,000 cap. We suggest that no cap should apply to these two types of undeducted contributions.

The Budget Plan seems to imply that excessive contributions must be refunded immediately. However, it also states that the ATO will determine when a person has exceeded the annual cap and that *"this would trigger a return of the excessive*

contributions and earnings." To avoid funds having to introduce a running total of undeducted contributions per member, we suggest that this be clarified.

It can happen that any excessive contributions were made as a result of a genuine error. Under current legislation, refunds of undeducted contributions are not allowed under any circumstances. Under the proposed arrangements, it may take up to 18 months before a fund receives an ATO assessment and is allowed to make the refund. We suggest that, in certain circumstances, members be permitted to effect an immediate refund.

Recommendation 9:
We recommend that, in view of the proposed start date of 9th May 2006, the final legislation on the proposed cap on undeducted contributions be made as soon as possible.

Recommendation 10:
We recommend that members be permitted to effect an immediate refund of any excessive contribution, but only in cases where one fund has received such an excessive contribution.

Recommendation 11:
We recommend that APRA introduce a process where members can apply for permission to effect an immediate refund of any excessive contribution where such contributions were made to multiple funds, the amount per fund is under the cap but the combined amount between funds exceeds the cap.

Recommendation 12:
We recommend that funds will not be required to refund any excessive contributions until after the ATO has issued the fund with an assessment notice requiring it to do so, unless the member requests a refund.

Recommendation 13:
We recommend that transfers from overseas superannuation funds be excluded from any cap.

Recommendation 14:
We recommend that large disablement claim payments from superannuation funds be allowed as an undeducted contribution and are excluded from any cap.

Recommendation 15:
We recommend that the final legislation contains a deemed rate for tax on earnings of excessive contributions, as well as a deemed date for deducting any such tax.

6. Tax deductions

We welcome the proposed changes and the increased eligibility for employers and self-employed persons to claim a tax deduction.

We also look forward to the proposed simplification of the personal deduction eligibility rules.

However, and with a likely increase in self-employed persons claiming a tax deduction from 1 July 2007, we see a need for a review of the *“Deductions for superannuation contributions by eligible persons”* section in the Tax Act (section 82AAT of ITAA 1936). We covered this on page 7 of this submission.

7. Tax File Numbers

Currently, TFNs are primarily used:

- By the ATO to determine co-contribution eligibility
- By the ATO to identify individuals who are lost members
- By superannuation funds at benefit payment stage

The Budget Plan proposes to bring forward the need for a member's TFN to the contribution stage.

Proposed arrangements – 01.07.2007	Current arrangements
• Funds would have to tax employer contributions at the top marginal tax rate if it has no TFN. • An exception would apply to contributions below a proposed $1,000 threshold	• Employers can make contributions whether or not the fund has the member's TFN • These contributions are taxed at 15 per cent.
• Funds would be unable to accept personal contributions if it has no TFN.	• Members can make contributions whether or not the fund has the member's TFN. • These contributions are not taxed.
• Benefit payments would have 1 or 2 components • Funds must deduct tax at the top marginal tax rate if it has no TFN, in respect of the proposed new taxable component only	• Benefit payments can have up to 9 components • Funds must deduct tax at the top marginal tax rate if it does not have the member's TFN, in respect of up to 6 of the 9 components

<u>AAS comments on the proposed arrangements</u>

Employers are required by law to inform superannuation funds of new employees' TFNs (section 299C of the *Superannuation Industry (Supervision) Act 1993*). Likewise, funds are required to request a new member's TFN if this was not provided already (section 299F of the *Superannuation Industry (Supervision) Act 1993*).

Despite this, it would appear that up to 40 per cent of funds' existing membership may not have a TFN. A similar percentage of employers may currently omit passing on TFNs when they pay the first contribution for new employees.

Most superannuation funds will have a major task on their hands to ensure they have a TFN for every member for whom they receive a contribution after 1st July 2007. Although this date is still nearly 11 months away, we are concerned that the sheer volumes may prevent funds from achieving the desired result within this timeframe.

In our experience, a large proportion of employers do not only fail to pass on their new employees' TFN but also their residential address, eg for transient workers. This means funds need to contact the employer for those details, and the response rate is not great.

We also note that, if the fund is not given a TFN, it would be the member who will be penalised and not the employer. This would not be a desirable outcome as it is unlikely that it is the member who is at fault.

In relation to deductible contributions, these represent nearly always only an employer's compulsory 9% superannuation guarantee contributions. We therefore find the proposed threshold of $1,000 (to exempt the provision of a TFN) too low, as this equates to an annual salary of just $11,111.

As the Budget Plan states, one of its aims is that the overall effect of the proposed changes will prevent or limit high-wealth individuals from using the low-tax superannuation environment as a vehicle in which to retain large assets and thus avoid paying taxes that may otherwise be payable.

The proposed $1,000 threshold would have the opposite effect, as it would 'catch' low-income earners and who, typically, are more likely to not have provided a TFN due to carelessness only rather than wishing to abuse the system. We suggest a threshold of $5,000 would be more appropriate.

For new employer-sponsored members, it is usually the employer who notifies the fund first, by providing basic details (name, address, date of birth) and at the same time paying the first contribution. Unfortunately, many employers fail to pass on the TFN. From 1 July 2007, the fund would have to tax such employer contributions at the top marginal tax rate, then try and obtain the TFN, and quite possibly reduce the tax deducted to 15 per cent a few weeks later once it receives the TFN. This would place a great burden on funds' operations and administrative systems.

We suggest that the standard 15 per cent tax be applied for all deductible contributions upon receipt, giving funds time to obtain the missing TFN. If no TFN is provided, funds would apply the top marginal tax rate for deductible contributions it received during the year at the earlier of a member exiting the fund and the next June 30 annual review. The legislation would also need to state if individuals would be able to claim any tax back in their next personal income tax return.

In relation to undeducted contributions, we note the Budget Plan proposes no threshold at all. Again, this would greatly impact on low-income earners, particularly those who make a $1,000 contribution on or just before 30th June in order to receive the Government co-contribution. In many cases, the fund would not have their TFN and, as is currently proposed, would be unable to accept the contribution and hence the member would miss out on the co-contribution. We suggest introducing a threshold is essential, and we propose a similar amount of $5,000 would be appropriate.

Many lost members don't know they are lost and that the fund has no current contact address. They may still make contributions, especially towards 30th June (co-contribution). If the fund has no TFN on file, it would have to reject such contributions.

Recommendation 16: We recommend that the ATO assists funds who receive a personal contribution from a lost member and for whom it holds no TFN, with the ATO using its tax file number information to contact such individuals.

Recommendation 17:
We recommend that the ATO starts an education campaign for employers, reminding them of their duty to inform funds of their new employees' TFNs and how the legislation provides for a penalty of $1,1000 for each failure in them doing so.

Recommendation 18:
We recommend that Question 2 on the ATO's Tax File Number Declaration (NAT 3092-7.2004) be changed to "Please tick this box if you do <u>not</u> wish your payer to give your TFN to the trustee of your superannuation fund or to your retirement savings account (RSA) provider".

Recommendation 19:
We recommend that, if a fund holds no TFN and it receives a deductible contribution, the deduction of any additional tax at the top marginal tax rate be deferred to the earlier of a member exiting the fund and the next June 30 annual review. This would also allow funds time up to these events to obtain the TFN.

Recommendation 20:
We recommend that, if a fund holds no TFN and it receives an undeducted contribution, a period of two months be allowed for funds to obtain the TFN.

Recommendation 21:
We recommend that the proposed minimum threshold below which funds do not have to deduct tax at the top marginal tax rate on deductible contributions where no TFN is provided be raised from $1,000 to $5,000.

Recommendation 22:
We recommend that a new minimum threshold of $5,000 be introduced below which funds can accept undeducted contributions even if no TFN is provided.

8. Portability

Portability, whilst not a term used or defined in any legislation, refers to a member's rights to transfer, at any time, all or part of their withdrawal benefit to another fund.

We refer to these as 'transfer requests'.

Proposed arrangements – 01.07.2007	Current arrangements
• Transfer requests would have to be processed within 30 days of receiving the initial request • There would be no re-triggering of the 30-day time limit	• Transfer requests must be processed within 90 days of receiving the initial request • If trustees require further information, within 90 days of receiving that information
• There would be a standard form and standard ID requirements for all funds	• Each fund has its own 'transfer request' form • Each fund has its own proof of ID requirements

<u>AAS comments on the proposed arrangements</u>

Before processing a transfer request, the legislation requires that trustees are satisfied those members meet *SIS Reg 6.34(2)*, eg that they:

6.34 Rollover or transfer of withdrawal benefit

(2) Before a trustee of a regulated superannuation fund or an approved deposit fund rolls over or transfers the amount, the trustee must be satisfied that the member:

(a) is aware that the member may ask the trustee for information that the member reasonably requires for the purpose of understanding any benefit entitlements that the member may have, including:

(i) information about any fees or charges that may apply to the proposed rollover or transfer; and

(ii) information about the effect of the proposed rollover or transfer on any benefit entitlements the member may have; and

(b) does not require such information.

In practice, this means most funds when they receive a transfer request respond by sending a letter to members about *SIS Reg 6.34(2).* This letter then also meets the requirement for trustees to act in the best interests of the member *[SIS Act 52(2)(c)].*

Furthermore, the legislation allows trustees to require that members, if they request a partial transfer only, retain a minimum account balance of up to $5,000. Most trustees have adopted this rule for the circumstance where their fund will continue to receive employer contributions. This is to avoid transferring the whole account balance, which involves closing the member's account, and then having to open a new account when the next employer contribution arrives.

In the above scenario, closing an account would also result in temporarily cancelling any insurance cover such members may have had. Most trustees feel this would be in breach of the legislative requirement that they "perform and exercise their duties and powers in the best interests of the beneficiaries" *[SIS Act 52(2)(c)].*

Consequently, if a transfer request is received but no date of employment cessation is advised or known, the trustees' response is to write back to seek more information, asking the member:

- If they have ceased employment, to advise the date; or
- If they have not ceased employment, to advise if their employer's future contributions will be made to our fund or (under 'choice of fund' legislation) to their new fund.

There are other, practical issues that may require a trustee to write to the member, thus slowing down the fund's processing of a transfer request. Examples:

- Missing information, signature
- Insufficient proof of ID

Finally, in the case of members who have ceased employment, employers can postpone their final contribution for up to three or four months, because of the due date of paying the 9% Superannuation Guarantee (SG) contributions being quarterly. For example:

- A member ceased employment on 11 April 2006, sends in a transfer request shortly afterwards, but their employer may not pay the final contribution until the next quarterly SG due date of 28 July 2006*.

  * Recent legislation permits employers a further month to pay SG.

Clearly, funds can not be expected to process the transfer request within 30 days in such circumstances.

We support a shorter processing time, but not the removal of the re-triggering provision.

Recommendation 23:
We recommend that whenever a trustee is not satisfied SIS Reg 6.34(2) has been met, they will be required to write to the member who submitted a transfer request within 10 days of receiving the request, allowing the member 10 days to respond. If no response is received during that time, the transfer request must be processed within the next 10.

Recommendation 24:
We recommend that whenever a member's transfer request omits the minimum information required (eg insufficient ID), the trustee will be required to request the information from the member within 10 working days of receiving the request. Upon receipt of the information, and if the information is complete, the transfer request must be processed within 10 days of receiving that information.

Recommendation 25: We recommend that whenever the trustee can reasonably expect to receive one further and final employer contribution in respect of the member who submitted a transfer request, the transfer request must be processed within 10 days of receiving that final contribution.

Recommendation 26: We recommend that ASFA's recent initiative to develop a standard 'transfer request' form be considered for final review and implementation.

Recommendation 27: We recommend that any standardisation of ID requirements be developed in close association with the Anti-Money Laundering & Counter-Terrorism Financing legislation (the latest AML/CTF draft legislation was released on 13th July 2006).

Should you have any queries with respect to this submission, please do not hesitate to contact the writer.

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