



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

BILLS

**Tax and Superannuation Laws Amendment
(2014 Measures No. 1) Bill 2014**

Second Reading

SPEECH

Wednesday, 26 February 2014

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

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Questioner	Responder
Speaker Ciobo, Steven, MP	Question No.

Mr CIOBO (Moncrieff—Parliamentary Secretary to the Treasurer) (09:21): I move:

That this bill be now read a second time.

This bill introduces legislation for a number of measures that were announced but unenacted at the time of the change in government in September last year.

Schedule 1 to the Tax and Superannuation Laws Amendment (2014 Measures No. 1) Bill 2014 amends the Superannuation Industry (Supervision) Act 1993 to introduce civil and criminal penalties for promoters of schemes that have resulted, or are likely to result, in the illegal early release of superannuation benefits.

Promoters of these schemes typically take a substantial commission from the superannuation benefit that is transferred.

Currently the Commissioner of Taxation can only seek penalties for scheme promoters who are also trustees of a regulated superannuation fund. These amendments will extend sanctions to the promoters of such schemes.

Promoters of illegal early release schemes will face civil and criminal penalties including a monetary penalty of up to \$340,000 (2,000 penalty units) or imprisonment of up to five years.

These penalties will deter people from promoting such schemes and will help to ensure Australians' superannuation savings are protected for their retirement.

Schedule 2 to the Tax and Superannuation Laws Amendment (2014 Measures No. 1) Bill 2014 amends the Superannuation Industry (Supervision) Act 1993 to introduce administrative directions and penalties for contraventions relating to self-managed superannuation funds.

The current powers available to the Commissioner of Taxation, the regulator of self-managed superannuation funds, to address breaches by trustees of self-managed superannuation funds are limited and are generally only appropriate in cases of significant noncompliance. For example, the commissioner may make a self-managed superannuation fund noncomplying for taxation purposes or disqualify a fund trustee.

To address instances of noncompliance effectively, the commissioner needs to be able to impose sanctions that reflect the seriousness of the breach. The amendments made by this schedule will provide the commissioner with the power to give rectification directions, such as a direction that a trustee ensure that the fund begin complying with the relevant legislation, and education directions to ensure that a trustee's knowledge of the relevant legislation comes up to the requisite standard. The amendments will also permit the regulator to impose administrative penalties on self-managed superannuation fund trustees for certain contraventions of the superannuation law.

These additional tools will provide the regulator with more flexible and cost-effective mechanisms for dealing with noncompliance with the law and will support the ongoing integrity of the SMSF sector.

Schedule 3 gives effect to a measure originally announced in the 2013-14 budget. The government announced it would proceed with the measure as part of the process of dealing with matters announced but unenacted at the time of the change in government last year. This schedule will phase out the net medical expenses tax offset. The net medical expenses tax offset is not refundable. It is not well targeted as people who have no tax liability receive no benefit from this offset even if they have high medical expenses.

The government is phasing out the net medical expenses tax offset with transitional arrangements for those currently claiming the offset, to give people time to adjust. From 1 July 2013, those taxpayers who claimed the

offset for the 2012-13 income year will continue to be eligible for it for the 2013-14 income year if they have eligible out-of-pocket medical expenses above the relevant thresholds.

Similarly, those who claim the offset in 2013-14 will continue to be eligible to claim it in 2014-15.

In addition, the net medical expenses tax offset will be available for taxpayers whose out-of-pocket medical expenses relate to disability aids, attendant care or aged care. For these taxpayers, the offset will remain available for these expenses until 1 July 2019.

An out-of-pocket medical expense is the cost of the medical expense incurred, minus available reimbursements. Such reimbursements can include those that are available through the Medicare Benefits Schedule, the Pharmaceutical Benefits Scheme, the Repatriation Pharmaceutical Benefits Scheme, government aged care subsidies and private health insurance refunds.

These changes refocus health expenditure on Australia's universal Medicare arrangements including generous safety nets for people with high out-of-pocket costs. They will help improve the long-term sustainability of health related expenditure so we can continue to provide a world class health system for all Australians—not just those with a tax liability. The focus of the Commonwealth will be on getting the primary care response right—on continuing substantial support through the existing arrangements.

The government realises that the financial impact of chronic conditions, including cancer, on those affected by the disease, their families and carers remains a significant challenge. The government is committed to fighting cancer, through continuing to invest in prevention, early detection and treatment and care. This includes by continuing to provide substantial support for health expenses, including through the Medicare Benefits Schedule, the Pharmaceutical Benefits Scheme and related safety nets.

The National Disability Insurance Scheme (NDIS) is expected to cover all related expenses previously covered by the net medical expenses tax offset for those eligible for a funded plan from the NDIS. The government is committed to delivering a sustainable NDIS across Australia to support people with significant and permanent disability.

The government recognises the importance of the aged care system and is also committed to reform in this sector to ensure that older Australians have the care they need, when they need it and wherever they need it. The government is developing a five-year agreement with the aged care sector, known as the Aged Care Sector Statement of Principles.

Schedule 4 amends the list of deductible gift recipients (DGRs) identified by name in Division 30 of the Income Tax Assessment Act 1997 (the Act). Donations made to organisations with DGR status are income tax deductible to the donor and therefore DGR status will assist the listed organisations in attracting public financial support for their activities.

Three organisations are being added to the act, namely the National Arboretum Canberra Fund, Bali Peace Park Association Inc., and the Prince's Charities Australia Limited. One organisation, the Sir William Tyree Foundation, has changed its name and needs to be relisted in the act.

Full details of the bill are contained in the explanatory memorandum. I commend the bill to the House.

Debate adjourned.