



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**HOUSE OF REPRESENTATIVES**

**Federation Chamber**

**BILLS**

**Superannuation Legislation Amendment  
(Reform of Self Managed Superannuation Funds  
Supervisory Levy Arrangements) Bill 2013**

**Second Reading**

**SPEECH**

**Thursday, 21 March 2013**

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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## SPEECH

**Date** Thursday, 21 March 2013  
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**Questioner**  
**Speaker** Smyth, Laura, MP

**Source** House  
**Proof** No  
**Responder**  
**Question No.**

**Ms SMYTH** (La Trobe) (10:34): One could be forgiven in this debate for thinking that this Labor federal government is the only government that has had any inclination towards increasing the SMSF levy, but reality bears out a different story. The 2007 Howard government increase of the levy ran from an existing levy of \$45 to \$150. My maths may be slightly wrong but I believe that that is slightly higher than the increase that we are talking about today.

When we are talking about this and why the levy is being increased, it is important to bear in mind the context of its history. Indeed, the motivations of the Howard government for making that increase in 2007 was, surprisingly enough, that the levy no longer covered the cost of the ATO's cost of regulation of the SMSF sector or the expected costs of future regulation. So it seems to me that those opposite—and, indeed, the member for Bradfield—seem to be singing a very different tune today. It would be nice to have a bit of consistency from those opposite, but I suspect I will be living in hope for rather a lot longer.

The SMSF sector, as many others have remarked, is a rapidly growing sector, and in the course of the last 10 years the number of self-managed super funds has increased substantially. As at June last year there were just under 480,000 self-managed superannuation funds in Australia. The moneys held in those funds constituted just over 30 per cent of Australia's total super savings, which makes them a very sizeable component of the superannuation industry.

The bill before us would occasion two changes to the arrangements which presently apply, pursuant to which the supervisory levy applies to self-managed super funds. The first of those changes would go to the timing of payment of the SMSF supervisory levy. The bill contemplates that this would be brought forward so that it is levied and collected in the year of income to which the supervision relates. This is a change that is consistent with the treatment of APRA-regulated funds. The effect of the change is to simply bring SMSFs into line with the other funds from the perspective of timing of payment of levies.

Having participated in the inquiry into the bill conducted by the Joint Standing Committee on Corporations and Financial Services, I am aware that some participants in the inquiry indicated that they had questions about whether the method for collecting the levy would be impacted upon by the proposed changes. Currently, the levy is collected through the annual tax return of self-managed super funds, and questions were raised regarding whether it was the case that this arrangement would be replaced with a separate process for invoicing and payment. The committee was, however, advised by the ATO during the course of the inquiry that this would not be the case, and that this would ensure that there is no further compliance burden for SMSFs arising from the change occasioned by the bill.

The second of the changes contemplated by this bill and flagged in MYEFO is that the cap that applies to the supervisory levy which can be set by the government is increased. Under the bill before us, that cap would increase from \$200 to \$300. The government has noted, however, that the actual amount of the levy will be \$259 from the 2013-14 income year. As the supervisory levy is a cost-recovery charge, it is reviewed periodically and adjusted in circumstances where full cost recovery has not occurred. For the income year 2011-12, based on evidence given to the committee, the current cap will not be appropriate, having regard to the current growth in the SMSF sector. During the year from June 2011 to June 2012 the total number of funds in the sector grew by 80 per cent. Increased costs incurred by the ATO, combined with that substantial increase in funds, reflect that the existing cap must be adjusted. As I said at the outset, this is not the first time that a government of any political persuasion has embarked upon this process. I refer again to the 2007 increase of the levy by the Howard government from \$45 to \$150 on the basis that the levy no longer covered the cost of the ATO's cost of regulation of the sector or the expected costs of future regulation.

During the course of the inquiry the ATO recognised the need for it to become increasingly efficient in its supervision of SMSFs. It also noted that the calculation of the new levy actually assumes a slower rate of growth

in the number of self-managed super funds than is likely to be the case. Accordingly, the ATO contemplates that economies of scale in its supervision of funds might be possible and that efficiencies might arise from that. Despite this, there seems to be no reason the levy should not be adjusted as set out in the bill and on the basis that previous governments have done precisely the same thing.

The Joint Standing Committee on Corporations and Financial Services has encouraged the tax office to release publicly accessible information on a regular basis about the costs that it incurs as a result of functions undertaken by it in the regulation of SMSFs.

The bill before us is something that has been flagged in MYEFO. It has been entirely consistent with previous actions taken by governments in relation to the cost-recovery basis upon which levies are to be charged, and it is somewhat hypocritical for those opposite to now be calling it into question. I am particularly pleased to be able to support the bill today and to have participated in the deliberations of the joint committee. I commend the bill to the House.