



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

SUPERANNUATION LEGISLATION AMENDMENT BILL (No. 3) 1999

Second Reading

SPEECH

Tuesday, 25 May 1999

BY AUTHORITY OF THE SENATE

SPEECH

Date Tuesday, 25 May 1999
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Questioner
Speaker Vanstone, Sen Amanda

Source Senate
Proof No
Responder
Question No.

Senator VANSTONE (SA—Justice and Customs) (4.48 pm)—I move:

That this bill be now read a second time.

I seek leave to have the second reading speech incorporated in *Hansard*.

Leave granted.

The speech read as follows—

Madam President, this bill amends the superannuation legislation to change the definition of a self managed superannuation fund (currently known as an excluded superannuation fund) and the regulation of these funds. honourable senators may wish to note that an amendment was moved in the House of Representatives due to a drafting error. This has no effect on the intent of the bill and the explanatory memorandum remains unchanged.

The existing definition of an excluded superannuation fund will be replaced with a new definition of a self managed superannuation fund. In addition to requiring the fund have fewer than five members, the new definition will require that all members of the fund have a business or family relationship and that they are trustees of the fund.

The Financial Systems Inquiry found that under the present system there is little protection of the interests of beneficiaries who are at arm's length from the trustees in an excluded fund. In addition, that there is little practical scope for effective prudential regulation of such funds. As such, the inquiry concluded that excluded funds should not have beneficiaries who are at arm's length from the trustees.

Under the new definition, members of self managed superannuation funds will be able to protect their own interests and as such, these funds will be subject to a less onerous prudential regime under the Superannuation Industry (Supervision) Act 1993 (SIS Act).

With this bill, the regulation of self managed superannuation funds will be transferred to the Australian Taxation Office from 1 July 1999, while regulation of all other funds will remain with the Australian Prudential Regulation Authority. The ATO will have responsibility for ensuring that self managed superannuation funds comply with the non-prudential requirements of superannuation law and APRA will continue its more extensive role as the prudential regulator of all other funds. Again, these changes have been introduced by the Government in response to the recommendations of the Financial Systems Inquiry.

The legislation provides for a reduced supervisory levy for self managed funds. The new levy amount will be included in the Superannuation Industry (Supervision) Regulation and will reflect to a larger degree the actual cost of regulating such funds.

In conclusion, the fundamental goal of the Government in introducing this bill is to ensure that the regulation of small superannuation funds reflects the needs of members of such funds as well as the Government's retirement income goals.

I present the explanatory memorandum to the bill and commend the bill to the Senate.

Ordered that further consideration of the second reading of this bill be adjourned till the first day of sitting in the winter sittings 1999, in accordance with standing order 111.