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TO: ALL RSE LICENSEES

MINOR AMENDMENTS TO PRUDENTIAL PRACTICE GUIDE SPG 280 PAYMENT STANDARDS AND SUPERANNUATION REPORTING STANDARDS

In the 2016/17 Budget, the Government announced a series of superannuation measures which will generally take effect from 1 July 2017. A small number of the measures affect APRA guidance and the superannuation reporting standards.

APRA has therefore updated *Prudential Practice Guide SPG 280 Payment Standards* (SPG 280) and seven superannuation reporting standards to reflect these measures.

Given that these changes are minor in nature and are consequential to the Budget measures, revised SPG 280 and the reporting standards are issued in final form.

Changes to SPG 280

An RSE licensee can no longer claim a tax deduction where an anti-detriment payment is made as a component of a death benefit.[1] Paragraph 55 of SPG 280 has been amended to reflect this position.

Further, following a number of public queries, paragraph 16 of SPG 280 has been clarified to address confusion about the release of benefits for temporary residents departing Australia.

Revised SPG 280 is available on the APRA website at: www.apra.gov.au/Super/PrudentialFramework/Pages/superannuation-ppgs.aspx. Refer to Attachment A of this letter for details of these changes.

Changes to the seven superannuation reporting standards

APRA's superannuation reporting framework is also affected by a small number of the Budget measures, specifically the replacement of the Low Income Superannuation Contribution (LISC) by the Low Income Superannuation Tax Offset (LISTO), and the introduction of the concept of member balances being in the 'retirement phase' or the 'accumulation phase'.[2]

As such, APRA has made a small number of minor changes to the superannuation reporting standards. The revised superannuation reporting standards (and the marked-up standards),

[1] An anti-detriment payment is a component of a lump sum death benefit paid by an RSE licensee to a dependant and represents a refund of the 15 per cent tax on contributions that has been paid by the deceased member.

[2] The LISTO refunds tax paid on concessional contributions by individuals with a taxable income of up to $37,000, up to a cap of $500. The Government has also introduced a $1.6 million balance transfer cap to be applied to member balances, with this amount (to be indexed) being the limit placed on the amount that a member can transfer into the retirement phase. Earnings on amounts in the retirement phase will be tax free, whereas earnings on amounts in the accumulation phase will be subject to tax at the concessional rate.

effective from 1 July 2017, are available on the APRA website at: www.apra.gov.au/Super/Pages/Superannuation-reporting-framework.aspx. Refer to Attachment A of this letter for details of these changes.

Please contact your responsible supervisor should you require further information.

Yours sincerely

Pat Brennan
Executive General Manager
Policy and Advice Division

ATTACHMENT A

Marked-up changes to SPG 280

Paragraph 16: Under the SIS Act and SIS Regulations, an RSE licensee must ensure that each benefit payment is administered in accordance with the conditions of release provisions, including those provisions that apply to temporary residents.

Paragraph 55: As part of an RSE licensee's obligations to act in the best interests of members and other beneficiaries, APRA recommends that death benefit payment procedures and systems specifically cover the RSE licensee's policy regarding ~~claiming a tax deduction where lump-sum death benefits are paid. [footnote 26: Refer to s. 295-485 of the Income Tax Assessment Act 1997]. This chiefly concerns~~ the payment of augmented or anti-detriment lump-sum death benefits to dependants~~, and the recovery of this extra cost through the mechanism of the 'anti-detriment' death benefit provisions (although other circumstances also apply). Where an RSE licensee has a policy of not claiming such a deduction, APRA recommends that the reason for not doing so is explicitly stated and disclosed to members~~.

Summary of changes to superannuation reporting standards (effective 1 July 2017)

Reporting Standard SRS 330.0 Statement of Financial Performance (SRS 330.0)

- SRS 330.0, item 1.2.4: as a result of the replacement of the LISC with the LISTO, the name of the item has been changed to 'low income super tax offsets' and a corresponding change has been made to the definition.
- SRS 330.0, item 1.5 and item 1.6: minor changes to the name of these items for consistency with the instructions.

Reporting Standard SRS 330.1 Statement of Financial Performance (SRS 330.1), *Reporting Standard SRS 330.2 Statement of Financial Performance* (SRS 330.2) and *Reporting Standard SRS 800.0 Financial Statements* (SRS 800.0)

- SRS 330.1 and SRS 330.2, item 1 and SRS 800.0, item 8: a minor amendment to the definition of 'Member contribution' has been made for consistency with the corresponding change made to SRS 330.0.

Reporting Standard SRS 610.0 Membership Profile (SRS 610.0) and *Reporting Standard SRS 610.1 Changes in Membership Profile* (SRS 610.1)

- SRS 610.0, item 3, and SRS 610.1, item 5: as a result of the introduction of the concept of member balances being in the 'retirement phase' and the 'accumulation phase' and the corresponding effect on their tax status, changes have been made to the definitions of 'tax-free phase' and 'taxed phase'. Reference to 'transition to retirement' pensions as being in the tax-free phase (in SRS 610.0, item 3) has also been removed.
- SRS 610.1: The specific instructions to items 1 to 5 in SRS 610.1 have been updated to state that the transfer of member interests within an existing RSE are not to be reported as new accounts in the RSE.

Reporting Standard SRS 720.0 ABS Statement of Financial Position (SRS 720.0)

- SRS 720.0, item 11: a minor amendment to the definition of 'Member contribution' has been made for consistency with the corresponding change made to SRS 330.0.
- SRS 720.0, item 11: the definition of 'Receivables and other financial assets' has been amended to remove 'future income tax benefits' from the amounts to be excluded.