



26 February 2018

Manager
Financial Services Unit
Financial System Division
The Treasury Langton Crescent
PARKES ACT 2600

Email: superannuation@treasury.gov.au

Re. Reversionary Transition to Retirement Income Streams

Dear Sir/Madam,

We welcome the opportunity to comment on the exposure draft legislation to ensure that a reversionary Transition to Retirement Income Stream (TRIS) will always be allowed to automatically transfer to eligible dependants upon the death of the primary recipient. We thank Treasury for this important amendment and support the amendments proposed by Treasury.

We offer the following comments:

- We note the industry practice for transition to retirement income streams (and account based income streams) is to add reversionary status after commencement (but before death) of the income stream, without full commutation, subject to the governing rules of the super fund. We invite Treasury to make further amendment if this practice was not the legislative intent.
 - The timing of 'retirement phase' status for a reversionary beneficiary is either date of death or date of notification. Given the 2017 super amendments, there is now likely to be issues created by the lag between date of death **AND** date of notification (and trustee certification) of death. For example, when the original account holder is a TRIS holder - not in retirement phase - the taxable income supporting the assets of the original TRIS holder's account is being taxed at accumulation rates during the TRIS holder's lifetime. Upon reversion at date of death, due to the proposed amendment, it is considered to be a retirement phase income stream and eligible for exempt current pension income. We note that in the context of a SMSF, the fund can be in retirement phase effective date of death and necessary adjustments made through the SMSF tax return. Conversely, in public offer funds, there may be some complications with different tax pools of assets, be it in accumulation, TRIS or retirement phase. The longer the delay from date of death to date of notification, the larger the adjustment the public offer fund might need to make on the account to reflect the previous 'taxable' TRIS to a retirement phase income stream **commencing** from date of death. Potentially, for simplicity and subject to administrative systems ability to backdate to different pool of assets, this means that in public offer funds, the conversion date of a previously taxable TRIS to a retirement phase income stream may occur at date of notification rather than
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date of death. We ask Treasury to consider whether this difference in timing based on fund type is within the intent of the amendments and whether further consideration is required.

- We note that ATO [TR 2013/5](#) is the reference ruling relating to when a pension commences and ceases. We note the ATO states ***“this ruling is currently being reviewed because of the superannuation changes that will commence on 1 July 2017”***. As apparent, it has been nearly 9 months and we haven’t yet seen an amended TR 2013/5. We would urge Treasury to work with the ATO to make the necessary amendments to this ruling (and any other associated rulings) as soon as possible to give the industry, clarity on consequential amendments and its views which have arisen since 1 July 2017, and in particular given their relation to these specific amendments. TR 2013/5 provides important understanding required in appreciating consequences upon death for a non-reversionary TRIS payable to a surviving spouse, specifically the impact of earnings on tax components post death of a TRIS holder and pre-death benefit paid out to the beneficiary as a lump sum / income stream or whether the TRIS pension continues to be treated as a separate pension interest until death benefit has been paid or is it merged with accumulation interest.

If you have any queries or comments, please do not hesitate to contact me at policy@fpa.com.au or on 02 9220 4500.

Yours sincerely

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