

## EXPOSURE DRAFT

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# **Chapter 1**

## ***Superannuation small lost member account threshold***

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### **Outline of chapter**

1.1 Schedule X to the Bill amends *the Superannuation (Unclaimed Money and Lost Members) Act 1999* (SUMLM) to increase the account balance threshold below which small lost member accounts will be required to be transferred to the Commissioner of Taxation (Commissioner) from \$2,000 to \$4,000 from 31 December 2015, and from \$4,000 to \$6,000 from 31 December 2016.

1.2 All references to legislative provisions in this chapter are references to the SUMLM- unless otherwise specified

### **Context of amendments**

1.3 Superannuation providers are required to transfer certain unclaimed superannuation money, including small accounts belonging to lost members, to the Commissioner.

1.4 The lost member account procedures do not apply to defined benefit interests.

1.5 Individuals are able to claim back their superannuation from the Commissioner at any time. Interest, calculated in accordance with the Consumer Price Index (CPI), has been payable on all unclaimed superannuation money repaid since 1 July 2013.

1.6 Superannuation providers must give the Commissioner a statement in respect of lost member accounts and pay the value of these accounts to the Commissioner. The statement details are provided to the Commissioner as at 31 December and 30 June each year, with the statement and payment being due to the Commissioner by the following 30 April and 31 October each year.

1.7 Under the Superannuation Industry (Supervision) Regulations 1994 a member may be classified as a lost member if at a particular time the member is uncontactable, is an inactive member, or was transferred as a lost member.

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### *Tax and Superannuation Laws Amendment (2014 Measures No. 2) Bill 2014*

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1.8 A member is an uncontactable member if the fund has never held an address for the member or has had mail returned unclaimed on two occasions, and the fund has not received a contribution or rollover for the member within the last 12 months.

1.9 A member is an inactive member if they joined the fund more than two years ago as a standard employer-sponsored member and the fund has not received a contribution or rollover for the member within the last five years.

1.10 Members can be permanently excluded from being lost members. This can occur where an inactive member indicates through a positive act that they wish to remain a member of the fund.

1.11 Transferring small lost member accounts to the Australian Taxation Office (ATO) ensures these accounts are protected from erosion by fees and charges.

1.12 The ATO has in place existing strategies which aim to reunite members with lost and unclaimed superannuation accounts and reduce the number of unnecessary and inactive accounts in the superannuation system.

### **Summary of new law**

1.13 The account balance threshold below which small lost member accounts will be required to be transferred to the Commissioner will increase from \$2,000 to \$4,000 from 31 December 2015, and from \$4,000 to \$6,000 from 31 December 2016.

### **Comparison of key features of new law and current law**

| <i>New law</i>  | <i>Current law</i>  |
|---|---|
| Small lost member accounts with balances of less than \$4,000 are required to be transferred to the | Small lost member accounts with balances of less than \$2,000 are required to be transferred to the |

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| Commissioner from 31 December 2015, then accounts with balances of less than \$6,000 from 31 December 2016 | Commissioner |
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## Detailed explanation of new law

1.14 The account balance threshold below which small lost member accounts will be required to be transferred to the Commissioner will increase from \$2,000 to \$4,000 from 31 December 2015, and from \$4,000 to \$6,000 from 31 December 2016.

1.15 Small lost member accounts that are within the new account balance thresholds on 31 December 2015, and 31 December 2016, will need to be reported and paid to the Commissioner by 30 April in the following year.

### Example 1.1

Rochelle has a superannuation account with a balance of \$2,600 on 31 December 2015. The fund has sufficient details to identify Rochelle, however two pieces of correspondence sent to Rochelle's last known address were returned unclaimed and no contributions or rollovers have been made to Rochelle's account for the last 12 months. The fund has been unable to locate Rochelle despite making reasonable efforts to do so. On this basis Rochelle's superannuation account is a lost member account that must be transferred to the Commissioner by 30 April 2016. Rochelle reclaims her superannuation from the ATO 3 years later. The balance of the account transferred to the Commissioner plus a CPI interest component is then paid out into Rochelle's nominated superannuation account.

### Example 1.2

Janis has a superannuation account with a balance of \$5,300 on 31 December 2016. The account was opened by a former employer for the purpose of paying Janis' superannuation guarantee contributions under an arrangement between the employer and trustee of the fund. In April 2011 Janis left his employer to work overseas. His member statement is mailed each year to his parent's

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home address in Australia. No contributions or rollovers have been made to his account since July 2011 and Janis has not contacted his fund since leaving Australia. On this basis Janis' superannuation account is a lost member account that must be transferred to the Commissioner by 30 April 2017. Janis returns from overseas two years later and reclaims his superannuation from the ATO. The balance of the account transferred to the Commissioner plus a CPI interest component is then paid out into Janis' nominated superannuation account.

### **Application and transitional provisions**

1.16 The increase in the account balance threshold from \$2,000 to \$4,000, and then from \$4,000 to \$6,000, commences on and applies to small lost member accounts from 31 December 2015 and 31 December 2016 respectively.

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