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Temporary extension doesn't go far enough: CGT relief announcement

The Australian Institute of Superannuation Trustees (AIST) today welcomed the Government's announcement of an extension of Capital Gains Tax (CGT) loss relief for super funds but warned that the temporary three month extension did not go far enough.

AIST CEO Fiona Reynolds said that the announced three month extension to September 2011 wasn't enough time for some funds to properly plan and complete mergers, particularly when the industry was still awaiting finer details of the current Stronger Super reform process.

Ms Reynolds said AIST would be asking the Government to extend the CGT relief deadline to July 1 2013, the date at which MySuper can be offered for the first time by super funds. It would also call for a more concrete policy on CGT relief.

"MySuper is a key reason why some funds are considering a merger so it makes sense that CGT relief be extended long enough for funds to have enough time to absorb the details of the MySuper and the other Stronger Super arrangements as they are released later this year," said Ms Reynolds.

Ms Reynolds noted that the cost of a fund merger proceeding without CGT relief could, in some cases, be of the order of tens of millions of dollars in lost retirement savings to members.

"While the Government has consistently expressed a desire for more industry consolidation it needs to recognise that by not providing longer CGT relief it may impede the merger process," said Ms Reynolds.

CGT loss relief – which was introduced following the global financial crisis – allows super funds that have merged to carry forward capital losses to future years.

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AIST is the peak industry body for the \$450 billion not-for-profit super sector which includes industry, corporate and public sector funds covering the super interests of nearly two-thirds of the Australian workforce.