

CORPORATE SUPER ASSOCIATION

Mr R Woolston
Prudential Policy Banking Unit
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

By e-mail to dwhite@treasury.gov.au

22 June 2005

Dear Mr Woolston

FINANCIAL SECTOR LEVIES DISCUSSION PAPER

We refer to the Treasury Proposals Paper on the above topic issued for public comment on 15 June 2005. We have set out below our Association's comments. By way of background, the Corporate Super Association is Australia's representative body for corporate superannuation funds and their corporate sponsors.

We support the use of a transitional arrangement for the 2005/6 financial year. However, we believe the current proposal needs to be altered.

Proposed financial sector levies for 2005-2006

We recognise that the current consultation has limited scope and relates to the implementation of the two tier levy system determined by the Government in response to the April Review. We have restricted our comments to the impact of the proposed transitional arrangements.

We support in principle the use of transitional arrangements whereby the larger funds would not face the full impact of the higher costs until the 2006/7 financial year. However, it is our concern that certain smaller funds would experience significantly higher costs under the transitional arrangements (Scenario 2) than under the fully implemented new arrangements (Scenario 1). The major adverse impact would be on funds with assets between \$350 million and \$900 million. We have set out below a table and chart (Appendices 1 and 2) which show the impact on these funds. From \$350m to \$600m the levy will increase for 2005/6 then decrease to below the 2004/5 levy amount when the fully implemented new basis applies in 2006/7. From \$600m to \$900m the transitional levy will go up by as much as \$60,000 then decrease to the new levy which will be above the old \$99,000 maximum.

We realise that there have to be winners and losers from the new system and also from any transitional arrangements, but we believe that there should be a progressive decrease (for smaller funds) and a progressive increase (for larger funds). The proposal for transitional arrangements will have an anomalous once off serious impact on the funds in the asset range \$350m to \$600m.

While the above situation may be remedied by an immediate move to the new arrangements we would prefer to see a revised transitional arrangement that remedies the problem for smaller funds.

Should you wish to discuss any of the above, please do not hesitate to contact either of the following:

John Cann	General Manager	jcann@corsuper.optusbiz.com	03 9650 9371
Liz Goddard	Head of Research	egoddard@optusnet.com.au	03 9504 8399

Yours sincerely

Elizabeth Goddard
Corporate Superannuation Association

APPENDIX 1

APRA LEVY COMPARISON

Assets (\$M)	Old	New	Transition
1	600	586	578
10	4,200	1,652	2,659
20	8,400	3,303	5,318
30	12,600	4,955	7,976
40	16,800	6,606	10,635
50	21,000	8,258	13,294
60	25,200	9,910	15,953
70	29,400	11,561	18,612
80	33,600	13,213	21,270
90	37,800	14,864	23,929
100	42,000	16,516	26,588
200	84,000	33,032	53,176
300	99,000	49,548	79,764
400	99,000	66,064	106,352
500	99,000	82,580	132,940
600	99,000	99,096	154,728
700	99,000	115,612	155,516
800	99,000	132,128	156,304
900	99,000	148,644	157,092
1,000	99,000	165,160	157,880
2,000	99,000	232,320	165,760
3,000	99,000	248,480	173,640
4,000	99,000	264,640	181,520
5,000	99,000	280,800	189,400
6,000	99,000	296,960	197,280
7,000	99,000	313,120	205,160
8,000	99,000	329,280	213,040
9,000	99,000	345,440	220,920
10,000	99,000	361,600	228,800

APPENDIX 2

