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Ms Tanja Cvijanovic
Executive Director
Office of Best Practice Regulation
Department of the Prime Minister and Cabinet
One National Circuit
BARTON ACT 2600

Email: helpdesk-obpr@pmc.gov.au

Dear Ms Cvijanovic

REGULATORY IMPACT STATEMENT – FINAL ASSESSMENT SECOND PASS

I am writing in relation to the attached Regulation Impact Statement (RIS) prepared for options to reform the superannuation system (OPBR ref: 20591).

I am satisfied that the RIS addresses the concerns raised in Mr Tony Simovski's letter to me of 16 September 2016. Specifically, the RIS has been refined to reflect the costs and benefits of all of the options including the recommended option. In particular, the cost benefit analysis section provides:

- a solid link between the objective of superannuation and the cost and benefits associated with the options (down to the measure level). For example, a discussion of the link between the objective of superannuation with each category of measures has been incorporated into the policy options, cost benefit analysis and recommended options sections;

- an overarching cost benefit analysis for key stakeholder groups (individuals, financial professionals, financial participants and government) at the commencement of the cost benefit analysis section as well in each option;

- recognition of broader costs facing stakeholders, beyond the compliance costs associated with the measures. An example is, the costs of loss of access to current tax concessions provided in respect to superannuation savings; and

- an understanding of the impact that the options, including the recommended option, will have in improving the equity and sustainability of the superannuation system.

The RIS has been refined to reflect stakeholder views on the specific measures presented including those measures contained in the recommended option. In particular, stakeholder views have been reflected:

- in the consultation section, where stakeholder views (negative and positive) at all stages of development of the superannuation tax reform package. This encompasses their initial views in the wake of the Budget and their views as they developed during the various stages of consultation; and

- throughout the cost benefit analysis section, highlighting views on the assessment of costs and benefits of the measures used in the development of the RIS.

Finally, the RIS also provides a clear indication that the recommended option would achieve the highest net benefit, while taking into consideration the Government's broader fiscal strategy. This has been achieved

through the incorporation of the changes you requested, which enable an appropriate assessment of net benefits to be undertaken on all of the options, including the recommended option.

The decision to introduce a package of superannuation tax reforms (which was supported by the interim RIS) was made by Cabinet as a part of the 2016-17 Budget. The superannuation tax reforms have been shaped though consultation at all stages of development, to ensure that the issues outlined in the problem section (sustainability, flexibility and integrity) are addressed, in line with the objective of the superannuation system. This second pass RIS will support the final decision point which is at the time of introduction of the superannuation tax reform legislation.

Using the Regulatory Burden Measurement framework, it has been agreed with your Office that the package will increase compliance costs by $80.3 million. For all reporting periods, the Treasury portfolio has delivered net compliance costs reductions and there is no reason why the portfolio will not continue to deliver on its red tape reduction target in this period, in line with the Government's regulatory reform agenda.

Accordingly, in my view the RIS is now consistent with the best practice requirements of the *Australian Government Guide to Regulation*. I submit the RIS to the Office of Best Practice Regulation for formal final assessment.

Yours sincerely

Michael Brennan
Deputy Secretary
Treasury