

ISN SUBMISSION

REGULATION OF TAX AGENT SERVICES PROVIDED BY FINANCIAL PLANNERS

[TITLE]

Dec 2010 | Version 1

SB1006



Industry
Super
Network

Table of Contents

SUMMARY	2
DESCRIPTION OF ADVICE SERVICES BY INDUSTRY SUPER FUNDS.....	3
ISN SUPPORTS OPTION 2 AS THE PREFERRED REGULATORY MODEL	4

About Industry Super Network

Industry Super Network (ISN) is an umbrella organisation for the industry super movement. ISN manages collective projects on behalf of a number of industry super funds with the objective of maximising the retirement savings of five million industry super members. Please direct questions and comments to:

Robbie Campo

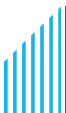
Manager - Strategy

Level 31, 2 Lonsdale St

Melbourne VIC 3000

03 9657 4306

rcampo@industriysuper.com

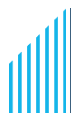


| SUMMARY

The Government has sought the views of interested parties on 2 options for regulating the provision of incidental tax agent services (TAS) regime to AFSL holders.

Industry super funds are increasingly involved in the provision of financial advice services to their members. While some of this advice is provided in a traditional face to face setting, funds are expanding their delivery of transactional, limited advice to existing members through more efficient channels such as telephone and web based advice services.

ISN strongly supports Option 2 as a preferable means of applying the TAS regime to financial planners involved in providing incidental tax advice in the course of advising their members.



DESCRIPTION OF ADVICE SERVICES BY INDUSTRY SUPER FUNDS

Industry super funds offer a range of financial advice services to their members and utilise a number of business models to deliver those services based on the strategic and operational approach of the fund. However, nearly all industry super funds have over recent years significantly expanded their capacity to offer limited or modular pieces of financial advice to enable members to better exploit their product offerings and improve their retirement benefits. These 'intra fund advice' services provide services which better match the bulk of members' advice needs and can be provided far more efficiently than traditional face to face advice services. In some cases, this advice is delivered by staff employed directly by the Trustee, in other cases the services are provided by outsourced providers engaged by the Trustee. Different charging regimes apply to 'intra fund advice', however a number of funds do not currently charge members for this advice (that is, it is covered by the administration fees paid by the member).

The types of financial advice topics which are the most common delivered through intra fund advice services would include:

- Member investment choice
- Considering insurance options available within the super fund (life, TPD and income protection)
- Adequacy of retirement savings
- Considering making additional contributions and the most effective type of additional contribution to make
- Establishing a transition to retirement plan / retirement planning

Most of these topics would involve some consideration of the tax implications of decisions in relation to the topic/s about which the member is seeking advice.

Industry super funds also offer members traditional financial planning services which cater for members with more complex circumstances and who require more holistic financial advice. Again, these services are often provided by an outsourced provider and members are charged on a fee for service basis.

However, in all cases the industry super funds who offer these types of services are interested in delivering this advice in the most efficient ways possible to minimise cost to the fund and thus to the members of the fund. Any increase in compliance cost will reduce the capacity of funds to expand their offerings to members.

ISN SUPPORTS OPTION 2 AS THE PREFERRED REGULATORY MODEL

ISN would strongly support Option 2 over Option 1 as the means by which incidental tax advice delivered by financial planners is regulated. While we certainly support the policy objectives of ensuring high quality and trusted services where tax advice is provided, Option 1 would impose unnecessary duplication of regulatory regimes and would increase cost to funds and thus to members.

Option 1, which would involve the regulation of financial advisers within the TAS regime overseen by the Tax Practitioners Board, would impose significant additional compliance burden on super funds, who are already dealing with 2 regulators (ASIC and APRA). Even were the Board to develop streamlined licensing processes for super funds, dealing with an additional regulator and an additional regulatory regime would add to the compliance burden and cost of offering these services to members. Given that most financial advice delivered by or for industry super funds is relatively straightforward and is specifically designed to be delivered as efficiently as possible, we believe Option 1 would be a far less efficient regulatory model.

Option 2 proposes that ASIC provide supervision of tax agent services provided in the course of financial advice in a manner which would be comparable to the supervision that would be provided by the Board but which would avoid unnecessary duplication.

Industry super funds aim to become very significant players in the delivery of financial advice services, primarily focusing on straightforward 'intra fund' advice issues. While tax issues are often incidental to these types of advice services, the super funds will never become involved in delivery of services which are 'pure' tax agent services.

ISN would support any effort required to ensure comparable supervision by ASIC. In particular, there is a large amount of work relating to the Future of Financial Advice reforms including the work of the newly formed Financial Advisers Standards Panel which would facilitate the consideration of comparable competencies and relevant inclusions in a Code of Conduct for financial planners.

Given that the only tax services provided by industry super funds is incidental to the advice delivered on a member's superannuation, Option 2 provides a far more effective and efficient regulatory model which will ensure that unnecessary duplication of regulatory measures is avoided. ISN submits that ASIC has the relevant expertise to dictate which measures and requirements can be waived having regard to the requirements imposed on AFSL licensees and the nature of the advice services which a super fund is providing.

ISN submit that a further transitional period should be considered in order to permit both ASIC and industry super funds to adjust to the requirements proposed under Option 2.