



Australian Government

**Australian Accounting
Standards Board**

Feedback Statement

Post-implementation Review

AASB 1056 *Superannuation Entities* and
Interpretation 1019 *The Superannuation
Contributions Surcharge*

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Enquiries

This AASB staff publication is available on the AASB website.

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In Brief

Introduction

Following the [AASB Due Process Framework for Setting Standards](#), the Australian Accounting Standards Board (AASB) undertook a post-implementation review (PIR) of AASB 1056 *Superannuation Entities* and Interpretation 1019 *The Superannuation Contributions Surcharge*.

In July 2023, the AASB issued [Invitation to Comment \(ITC\) 54 Post-implementation Review of AASB 1056 Superannuation Entities and Interpretation 1019 The Superannuation Contribution Surcharge](#) seeking feedback from stakeholders to enable the AASB to conclude on the overall effectiveness and efficiency of AASB 1056 in meeting its original objectives, including whether AASB 1056 remains appropriate and whether Interpretation 1019 is still relevant. To ensure stakeholders had sufficient time to respond to the ITC, the comment period closed on 10 November 2023.

At its March 2024 meeting, using the PIR decision-making process framework, the Board deliberated feedback received on AASB 1056, considering staff analyses and recommendations.¹ This Statement outlines the key points raised by stakeholders and the decisions made by the AASB.

Outreach and comment letters

Eight comment letters were received and informal outreach in a virtual meeting format was conducted with 18 different stakeholders, some of whom were consulted on multiple occasions. Of these 18 stakeholders, three are representative organisations and the virtual meetings involved a cross-section of superannuation industry participants.

Overall, feedback was received from more than 100 organisations and individuals including preparers, regulators, users, auditors and representative bodies. Some of those submitting written comment letters also participated in virtual outreach.

Overall Board Decision

The Board decided:

- (a) not to propose any amendments to AASB 1056;
- (b) to monitor the practices of superannuation entities and industry product trends, which might inform future improvements to the Standard; and
- (c) to retain Interpretation 1019 in its existing form and monitor the application of the Interpretation.

¹ See [Agenda Paper 7.1 PIR Superannuation Entities](#) and [Agenda Paper 7.2 Collation of comments](#).



Feedback received and Board decisions

ITC 54 included nine topics and 13 questions for comment. This section provides a summary of feedback received and the Board's decisions, together with the Board's reasoning for those decisions.

Topic 1: Level of reporting and sub-fund reporting

Sub-fund reporting

Almost all stakeholders did not support requiring sub-fund reporting. The reasons given include:

- the costs of sub-fund reporting, including audit costs, would significantly outweigh benefits;
- entities with numerous sub-funds may find it infeasible to include sub-fund information in general purpose financial statements (GPFS);
- achieving comparability is unlikely because different superannuation entities are structured differently;
- sub-fund reporting does not provide additional useful information, as:
 - defined contribution members already receive tailored information on the performance and risks of their holdings in investment options via statements (periodic and exit), supported by product disclosure statements;
 - defined benefit members already receive statements of their individual entitlements; and
 - information on certain sub-funds, such as MySuper information and defined benefit plan financial statements, as well as actuarial and funding reports, is available;
- AASB 1056 already requires information to be presented separately for defined contribution versus defined benefit member interests; and
- detailed information on sub-funds could confuse members and other users, hindering understanding of the overall performance of the entity and GPFS comparability because different superannuation entities are structured differently.

Board decisions

The Board acknowledged that disaggregated information could provide important insights. In particular, individual members, employers and other users may potentially need more granular information about their particular interests in an entity. However, the Board concluded that users are likely to obtain the information they need through other forms of reporting, such as annual member statements, information available on request via online platforms, the MySuper dashboard (when relevant), and information available on request under the Corporations Act.



Considering the costs of implementing and maintaining sub-fund reporting may outweigh the benefits, the Board decided not to make any changes in AASB 1056 to require sub-fund reporting.

Disaggregation by risk/benefit

Stakeholders generally support the disaggregation requirement in AASB 1056 as it provides a comprehensive view of the profile of member benefits.²

Feedback indicated variability in the disaggregation of member benefits between defined contribution members and defined benefit members in the Statement of Changes in Member Benefits (SOCMB). When defined benefit members also have defined contribution benefits, some entities present the total as 'defined benefit', although others exclude the portion related to defined contributions.

Board decisions

The extent of varying disaggregation is limited to entities with material numbers of defined benefit members that are not solely defined benefit entities. That is, the issue does not appear to significantly affect preparers and user needs. As such, the Board decided not to amend the disaggregation requirement in AASB 1056.

Topic 2: Statement of Changes in Member Benefits (SOCMB)

There is general satisfaction with the existing requirements for a SOCMB though some concerns were raised.

Taxes

Taxes such as contributions tax are presented in the SOCMB, while income tax expense and/or tax benefits relating to (for example) investments are presented in the income statement, which means the overall effective tax rate is not evident.³

From the perspective of the superannuation entity, taxable income includes pre-tax member contributions and other sources of income. However, when the AASB developed AASB 1056, it concluded that the contributions tax affects the benefits available to members and should be presented in the SOCMB,⁴ particularly since the taxable status of the contributions depends on whether they are made by members as pre-tax or post-tax contributions.

2 AASB 1056 requires a superannuation entity to disclose disaggregated information when it is necessary to explain the risks and benefit arrangements relating to different categories of members. In practice, this has meant that, when relevant, superannuation entities present separately in their SOCMB information related to defined member contributions and defined benefit members.

3 AASB 1056.AG15.

4 AASB 1056.AG15.



Some stakeholders noted it may be useful to require disclosure of an effective tax rate, taking into account all the relevant taxes on taxable income, which would be available from the entity's tax lodgements.

Board decisions

The Board decided not to take action about the matters related to taxes. The Board noted that, for those interested in knowing an effective tax rate, it would be expected they understand the different types of taxes and whether they relate to the status of the entity or the status of the member and the form (pre-tax or post-tax) of their contributions.

Additional information

Some stakeholders suggested possible additional disclosures that might help to explain particular line items in the SOCMB, including:

- (a) narrative disclosures explaining the net change in member benefits to provide further clarity of investment income and expenses allocated to member accounts; and
- (b) a further breakdown of benefits to members – for example, transfers out versus other benefit payments.

Board decisions

In relation to the allocation of investment income and expenses to member accounts, the Board noted that the information provided to members and employers outside the GPFS would be expected to meet that need. In particular:

- (a) for employees – annual individual member statements; and
- (b) for employers, in relation to employees making defined contributions – financial information and metrics reported to APRA and, in relation to employees who are members of a defined benefit plan, the financial statements of that employer-sponsored plan.

In relation to the further breakdown of benefits to members, in particular showing transfers out versus other benefit payments, the Board noted AASB 1056 requires separate disclosure of 'benefits transferred into the entity from other superannuation entities' [AASB 1056.11(d)]. Accordingly, the Board observed it would be consistent to also show benefits transferred out separately. Nonetheless, the Board concluded that there is insufficient justification for undertaking further work in line with the AASB's due process for this issue alone.

Accordingly, the Board decided to take no action on revising AASB 1056 in relation to the SOCMB at this stage.



Topic 3: Classification/disclosure of revenue and expenses

There is general satisfaction with the existing requirements for the classification and disclosure of revenues and expenses which are principles-based with some specific guidance, providing a reasonable level of detail for the entity as a whole. Feedback received includes:

- **Other reporting requirements:** Most stakeholders view the AASB 1056 requirements in the context of other reporting requirements, typically more detailed than the AASB 1056 requirements, such as those required by APRA.
- **APRA guidance:** Some stakeholders noted APRA's guidance⁵ on the 'look-through' approach that classifies items based on their underlying nature and indicated this tends to be applied in identifying expenses for AASB 1056 disclosure purposes. Those stakeholders generally do not see a need for this to be specifically addressed in AASB 1056.
- **Incompatibilities:** Some stakeholders highlighted that, if AASB 1056 were to require any greater level of detail, it would increase the likelihood of incompatibilities with other evolving requirements. These incompatibilities could increase reporting costs and create confusion among users.
- **Streamline reporting:** Some stakeholders indicated that, to enhance consistency across the various requirements, there is scope to streamline the range of classification and disclosure requirements relating to revenues and expenses, including the manner in which line items are defined. Specifically, several stakeholders noted the current Annual Member Meeting disclosures, which predominantly focus on governance/related-party issues and are cash-based rather than accrual-based.

Staff noted that IFRS 18 *Presentation and Disclosure in Financial Statements* will replace IAS 1 *Presentation of Financial Statements* commencing in 2027. AASB 1056.AG3 notes that AASB 1056.9 and 22 take the place of AASB 101.99 to 105. The intention of these paragraphs is for AASB 1056 to override AASB 101 *Presentation of Financial Statements* in some respects. The changes to be introduced in IFRS 18 may affect superannuation entities and the AASB may need to consider whether there is a need for any specific superannuation entity guidance or requirements.

Board decisions

The Board noted that:

- the requirements in AASB 1056 generally strike a balance between principle and specific guidance, aligning with AASB Accounting Standards for revenue and expense classification and disclosure. However, there may be a case for reviewing the existing AASB 1056 requirements after the forthcoming Accounting Standard⁶ on presentation and disclosure in financial statements is issued – for example, in respect of separate presentation of operating, financing and investing expenses.
- APRA and other reporting requirements for superannuation entities are typically more granular than those in AASB 1056. They aim to address specific issues in the

⁵ In particular, APRA Reporting Standard SRS 332.0 *Expenses*.

⁶ Expected to be issued in 2024 as AASB 18 *Presentation and Disclosure in Financial Statements*.



superannuation industry, such as concerns over related party transactions. If the revenue and expense classification and disclosure requirements in AASB 1056 were revised to be more detailed, it would potentially exacerbate the existing concerns about inconsistencies with other reporting requirements and the disclosure of differing amounts with similar descriptions.

Accordingly, the Board decided not to take immediate action on revising AASB 1056 in relation to the classification and disclosure of revenue and expenses. However, the Board will reassess the need for changes after reviewing the relevance of IFRS 18 to superannuation entities.

Topic 4: Fair value measurement

Feedback on ITC 54 identified mixed views on the level of detail needed in AASB 1056 on fair value measurement:

- Most stakeholders indicated the existing requirements (including the general reliance on the guidance in AASB 13 *Fair Value Measurement* in measuring fair value) are reasonable and workable.
- Some stakeholders expressed concern about the ‘quality’ of fair values determined for some ‘alternative’ or ‘unlisted’ asset classes and consider that more guidance on fair valuing these types of assets might be useful. These stakeholders note the growing significance of ‘alternative’ or ‘unlisted’ asset classes in the industry as the pool of superannuation savings grows and entities look to diversify members’ investment exposures. However, those stakeholders also generally acknowledged that the difficulties around determining fair values for these types of assets are not unique to superannuation entities and are most acute for unit pricing,⁷ rather than for financial reporting purposes.
- Some stakeholders observed that the processes around determining fair values for ‘alternative’ or ‘unlisted’ assets in the context of GPFS are typically less problematic than processes performed for unit pricing purposes because more time is available to gather and assess data and the level of, and time available for, scrutiny, including audit.

Board decisions

The Board noted the significance of fair value measurement under AASB 1056, which requires assets and liabilities to be recognised at fair value at each reporting date, except for member liabilities, tax assets and liabilities, acquired goodwill, insurance assets and liabilities, and employer-sponsor receivables.⁸

There is a precedent for providing fair value guidance for particular types of reporting entities – the AASB has provided guidance for not-for-profit public sector entities in respect of non-

⁷ Unit pricing may be performed daily, weekly or on some other periodic basis, in order to facilitate members’ exiting and entering different investment choices or to rebalance an investment product such as MySuper.

⁸ AASB 1056.13



financial assets.⁹ This guidance is intended to explain and illustrate the application of the principles of AASB 13 in a not-for-profit (NFP) public sector entity context in relation to fair value measurement of non-financial assets not held primarily for their ability to generate net cash inflows. It does not apply to for-profit entities or NFP private sector entities.

The main reasons for the guidance for NFP public sector entities are that:

- (a) the majority of non-financial assets held by public sector entities are measured at fair value, and non-financial assets are a significant asset class in the NFP public sector;¹⁰
- (b) inconsistent accounting had emerged. This was due to difficulties around identifying market participant assumptions where the asset has few or no market participants and current replacement cost information is scarce, how government-imposed public-sector-specific restrictions on non-financial assets should be taken into account, and applying the 'cost approach' (including the concept of obsolescence under the cost approach).¹¹

There are similarities between the NFP public sector and superannuation entity contexts with respect to the significance of non-financial assets; and a potential lack of market-participant information on which to base assumptions for measurement purposes. Some of the assets are of strategic importance, including infrastructure, and may be affected by government-imposed restrictions.

However, the Board reasoned that, unlike the NFP public sector context, in the superannuation entity context, the basis for investing in the relevant non-financial assets is to make gains for members.

The Board identified that, since the assets in a superannuation entity context are expected to generate net cash inflows, fair values would typically be based on discounted cash flow measures and the 'cost approach' would generally not be used (although there might be cases in which some of the cash flows to be discounted are identified based on replacement costs).

The Board observed that:

- (a) although the nature and extent of the fair value issues facing superannuation entities go beyond those faced by most other for-profit entities, they are not distinct in the same way as for NFP public sector entities; and
- (b) the philosophy behind AASB 1056 has been to have exceptions from other AASB Accounting Standards, including narrowed choices for asset measurement or measurement guidance, when this is considered to produce more relevant information for members. That is, other than specific exceptions, superannuation entities should apply other AASB Accounting Standards.¹²

Accordingly, the Board decided to take no action on revising AASB 1056 in relation to fair value measurement guidance at this stage.

9 Appendix F to AASB 13.

10 AASB 13.BC2–BC3.

11 AASB 13.BC7.

12 AASB 1056.BC20 and BC43.



Topic 5: Insurance arrangements

Stakeholders generally agree that the existing principles-based guidance and the resulting practice on accounting for insurance arrangements is appropriate.

Outreach revealed that insurance arrangements across the superannuation industry are largely the same as they were when AASB 1056 was first issued. There are essentially two insurance arrangement models operating:

- (a) for defined benefit plans, the plans themselves can include mortality and/or morbidity coverage, for which AASB 1056 mandates the application of the accounting required in AASB 119 *Employee Benefits*; and
- (b) for defined contribution plans, the superannuation entity acts as an agent for members, sourcing insurance coverage from third-party insurers and on-charging premiums to member accounts.

Some stakeholders noted there are different accounting treatments for rebates from third-party insurers related to premium volumes and/or claims experienced in a specified period. These rebates are accounted for as either revenue or a deduction from expenses. Although acknowledging that the amounts involved are generally not considered material, these stakeholders expressed the view that this issue might usefully be resolved by amending AASB 1056.

Board decisions

The Board considered that, although superannuation entities may occasionally intervene in insurance claims processes, they typically act as agents regarding insurance arrangements. Considering approaches to accounting for rebates from third-party insurers, a net expense approach seems most relevant as rebates are expected to be passed on to members. However, the Board noted a possible complication, which is that the premiums, claims and rebates can be paid and received via a reserve account that may not be fully aligned with member accounts at any given time.

The Board concluded that the existing principles-based approach to insurance arrangements in AASB 1056 is effective and that specific guidance on accounting for rebates is unnecessary given the amounts involved would generally be expected to be immaterial. Therefore, no action is warranted in revising AASB 1056 regarding insurance arrangements at this stage.

Topic 6: Subsidiaries

Feedback indicates that most subsidiaries of a superannuation entity are classified as investments and, therefore, are fair valued (rather than consolidated) under AASB 10 *Consolidated Financial Statements* applying the 'investment entity' exemption.¹³ There is overwhelming support for this accounting treatment as it best reflects investment performance and any form of consolidation of subsidiaries would detract from that main focus.

13 AASB 10.27 and 31.



The feedback also identified that most entities have operating subsidiaries that are typically involved in sourcing, researching and/or managing investment opportunities. Although these subsidiaries should, in theory, be consolidated on a line-by-line basis, none appear to be material. Some stakeholders consider that, despite not being material, it might be helpful for AASB 1056 to permit limited ‘consolidation’ for operating subsidiaries. A key reason for this view is to align the accounting treatments where an entity performs operational activities using its subsidiary compared with an entity that outsources those activities for a fee. Some stakeholders consider it is relevant to disclose only whether those services are provided by a related party or externally, not mandate a different accounting treatment. These stakeholders generally consider that any subsidiaries with substantial external activities should, in theory, be consolidated on a line-by-line basis.

Board decisions

The Board noted:

- there are currently no plans to change the ‘investment entity’ exception in AASB 10, which mandates fair value through profit or loss measurement;
- there is currently not a practical problem with the accounting for ‘non-investment’ subsidiaries on the basis that they are not typically material, and there seems little likelihood of them becoming material in the foreseeable future since their activities generally involve cash flows in the tens of millions although the investment activities themselves involve tens of billions; and
- in most cases, line-by-line consolidation and a limited consolidation would provide similar outcomes, given the relevant subsidiaries are service providers (and have few assets and liabilities).

The Board concluded there is no need to change the existing approach to accounting for subsidiaries in AASB 1056, which appears to be working well. The Board also concluded there is insufficient justification for having a specific treatment for operational subsidiaries of superannuation entities.

Accordingly, the Board decided to take no action on revising AASB 1056 in relation to the accounting for subsidiaries at this stage.

Topic 7: Trends affecting superannuation entity reporting

There is a general expectation in the industry about the following:

- (a) new products will emerge in the next three to five years, particularly to cater for retiring members who have made defined contributions;
- (b) the new products are unlikely to lead to superannuation entities accepting longevity (insurance) risk – although any future legislative changes might facilitate more entities issuing products with annuity-style features; and



- (c) the number of members in defined benefit schemes continues to dwindle – however, for some of the larger schemes in the public sector and entities that specialise in this area, there will remain material defined benefit balances for decades.

New products have emerged since AASB 1056 was issued but no feedback suggests that changes to AASB 1056 are warranted.

In terms of general trends affecting the superannuation industry, some stakeholders noted:

- (a) there is a growing demand for more disclosure about Environmental, Social and Governance (ESG) matters, including climate-related disclosures, and their impact on the GPFS; and
- (b) a need for readily available information about the structure of funds and their operations, particularly in light of the change to require lodgement of GPFS with the Australian Securities and Investment Commission (ASIC) from 2024.

Board decisions

The Board noted that:

- ESG disclosures for superannuation entities are likely to be addressed in the same manner as for other reporting entities – outside the Accounting Standards – and within Sustainability Standards;
- general information about entity structure is important in a superannuation context because each fund has unique characteristics, but much of that information is already provided outside the GPFS; and
- new products have emerged since AASB 1056 was issued but stakeholders have not raised any concerns.

As such, the Board decided to take no action on revising AASB 1056 to address potential trends affecting the industry. However, the Board will continue to monitor the practices of superannuation entities and industry product trends, which might inform future improvements to the Standard.

Topic 8: Interpretation 1019

Feedback on ITC 54 revealed mixed views on what the AASB should do with Interpretation 1019, including:

- (a) withdraw Interpretation 1019 on the basis that the superannuation surcharge is no longer a material issue for superannuation entities – even for those most affected;
- (b) retain Interpretation 1019 on the basis that it does no harm and its withdrawal may potentially send the wrong signal (that the treatment required is no longer relevant in any circumstances);
- (c) retain Interpretation 1019 on the basis that it can be applied by analogy to new, similar taxes (such as the excess contributions tax under Division 293 of the *Income Tax Assessment Act 1997* or the foreshadowed tax in a proposed new Division 296 of that Act); and



(d) revise Interpretation 1019 to address any new taxes with similar features.

Feedback indicated that there are still likely tens of thousands of fund members with deferred contribution surcharge debts incurred up to 2005 that are addressed by Interpretation 1019. They are typically members of defined benefit plans who have elected to defer payment of the tax until they receive their defined benefits either as an income stream or a lump sum.

Board decisions

The Board noted that no new superannuation surcharges specifically addressed by Interpretation 1019 had been levied since the 2005 income year and, for the affected superannuation entities, the amounts involved are highly unlikely to be material. However, retaining Interpretation 1019 does not pose any harm. The Board will monitor the application of the Interpretation and take action to either withdraw or revise Interpretation 1019 at a later date, if needed.

Consequently, the Board decided to take no action at this stage.

Topic 9: Any other matters affecting AASB 1056 or Interpretation 1019

Successor fund transfers (SFTs)

The recent rise of successor fund transfers (SFTs) in the superannuation industry has prompted stakeholders to request accounting guidance, specific disclosure requirements and practical examples.

Board decisions

The Board noted that:

- there are no particular unresolved recognition and measurement issues associated with SFTs; and
- although disclosures currently vary across entities to meet their user needs, disclosure practices appear to be developing in the absence of specific requirements in AASB 1056.

Accordingly, the Board decided to take no action on revising AASB 1056 in relation to successor fund transfers at this stage.

Accounting for franking credits

Stakeholders noted that there is no specific accounting standard that addresses disclosure of receiving imputation credits and there are uncertainties on whether franked dividend revenue should be recognised as gross or net amounts (after factoring in any imputation credit).



Board decisions

The Board noted that:

- although this issue might be more significant for superannuation entities than most other types of reporting entities, it is not unique to the superannuation industry;
- the AASB has previously rejected addressing this issue;¹⁴ and
- as a result of the AASB Agenda Consultation 2022–2026, the Board added a project to consider improving the disclosures of imputation credits to the AASB Work Plan. However, in its June 2023 meeting, the Board decided to close the project and remove it from the AASB Work Plan because feedback obtained from limited outreach activities indicated that the issue raised by stakeholders, including those from superannuation entities, during the AASB’s Agenda Consultation is not significant or prevalent enough to warrant amendment of the Standard.

Accordingly, the Board decided to take no action on revising AASB 1056 in relation to the accounting for franking credits at this stage.

General matters for comment

Feedback received indicates that:

- there are no adverse regulatory impacts or major auditing/assurance challenges that are occurring from the application of AASB 1056;
- there is generally a high level of satisfaction with the usefulness of financial statements complying with AASB 1056 and, to the extent relevant, Interpretation 1019, in providing an overall picture of the financial position and performance of a superannuation entity; and
- stakeholders generally consider the benefits associated with preparing and auditing GPFS prepared in accordance with AASB 1056 to exceed the costs.

Board decisions

Feedback received does not seem to suggest significant issues. As such, the Board decided to take no action on the matters raised.

14 There was a 2007 draft AASB Agenda rejection statement on the issue:
https://www.aasb.gov.au/admin/file/content105/c9/PropAgendaDecision_FrankedDivRevenue.pdf.



Next Steps

The Board concluded that the PIR of AASB 1056 and Interpretation 1019 is complete. The AASB will continue to monitor the application of AASB 1056 and other Accounting pronouncements applicable to the superannuation industry as circumstances change, such as changes in:

- (a) prudential, governance and tax legislation/regulation;
- (b) Accounting Standards that might impact on superannuation entities; and
- (c) product developments in the superannuation industry.

Stakeholders are welcome to contact standard@asb.gov.au with any queries about the PIR of AASB 1056 and Interpretation 1019.