SMSF Owners' Alliance
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Super Withdrawals Tax Would Hit Many

Signals from Canberra that the government is planning to tax withdrawals from high balance superannuation funds will adversely affect many more Australians than the small minority the government may say it is targeting.

According to media reports, the government is aiming to tax withdrawals from super funds with balances of close to $1million. While this presumably will apply to all types of funds, in reality it will largely target successful self managed super funds (SMSFs).

Based on ATO's 2012 statistics, if a fund balance of more than $1million triggers the withdrawals tax, it will affect at least 138,000 SMSFs with around 277,000 individual members.

These people have built their retirement savings in good faith, ordering their financial affairs to maximise their super savings. Many will have sold businesses, property and other assets, downsizing their house and making life-style choices in order to invest as much as they can into super.

They will now find that prudent savings made in accordance with government policy and the current superannuation rules are to be hit with a new tax on withdrawals.

It's of concern that a selective withdrawals tax will break the principle applied until now that all super savers in all types of funds are taxed in the same way at the same rates.

No doubt the government will claim it is necessary to tax super withdrawals to boost revenue and to cover the deficit. However, the problem is not that the government doesn't have enough revenue. The problem is that the government is spending too much. While revenue has gone up 40% over five years, spending has gone up by 46%.

The government should not be raiding the nation's future savings in the form of a new superannuation tax to fix a short-term budget problem.

Further, it would be wrong to portray it as a tax on the wealthy, ignoring the impact it would have on many Australians in the future as their superannuation balances grow.

Those on at least average weekly earnings of about $70,000 who are heading for retirement in 10 years would then need a balance of $1million to give them a reasonable pension equal to 75% of their after-tax pre-retirement income (as paid to many politicians and bureaucrats). Younger Australians will need even more.

Conversely, the government should be doing all it can to encourage all Australians to have balances in their super of at least $1million instead of taxing average Australians who want to work hard, save as much as they can and be financially independent through their increasingly longer years in retirement.

In this context, the Prime Minister should be aware that women are the fastest growing group of SMSF owners trying hard to be independent of government payments in their retirement.

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