SMSF Owners' Alliance
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Government Should Reveal Its Super Tax Plans

If the Government is planning major changes to the taxation of superannuation, as media reports suggest, then it should put its plans on the table and consult with the superannuation industry before the May budget.

It should not use the convenient excuse that budget measures are developed in secret and only revealed on budget night (if not leaked beforehand).

Changes to the taxation of superannuation are not market sensitive but they are of extreme concern to Australians who are saving for their retirement or who are managing their savings in retirement.

Major changes to the taxation of super go to the heart of a retirement savings system that is an essential element of Australia's social and economic fabric.

The Government's MySuper reforms were the result of an extensive public consultation process via the Cooper Review.

Tax changes that alter fundamentally the economic structure of superannuation should also be subject to public comment before they are made.

As SMSFOA pointed out in our pre-Budget submission, the taxing of superannuation should not be driven by the Government's short-term revenue needs. Superannuation is a life term investment by Australians, requiring a consistent policy approach that does not change from year to year, to maintain the confidence of savers. However, confidence has been eroded by rule changes already made by the Government and will be further eroded by new taxes on super savings.

People who have planned for their retirement years in good faith under the existing rules and taxation should not have the rug pulled from beneath their feet by new taxes. People plan for and set their retirement date on the basis of the income they will receive from superannuation and take other important decisions, such as selling a business or downsizing their home, in order to maximise their super savings within the rules.

They should not now have their plans shattered by changes in taxation just because the Government is spending more than it collects. The Government is not short of revenue, which is 40% higher than in 2006-07. Its problem is that spending rose even faster, by 46%.

The Government is trying to justify its planned grab of super savings by saying high income earners are getting a greater benefit, in dollar terms, than those on lower incomes. The Government should also recognise that overall they pay more in tax, in dollar terms. The top 50% of taxpayers account for 90% of the Government's revenue from personal income tax.

If the Government taxes withdrawals from super funds, as reports indicate, there is a high risk that fund members will be taxed twice on money they put into super as undeducted contributions. A significant amount of money invested in super is in the form of undeducted contributions which are not taxed concessionally and there is no 'taxpayer subsidy' of these funds. Taxing fund withdrawals will amount to double taxation.

Superannuation has always been taxed on a level playing field with savers paying the same rate on tax on contributions and fund earnings. Imposing different rates of tax according to fund balances will concern not only those who have accepted responsibility and made provision for self-reliance in retirement, but also people who are working towards that goal by maximising their savings and forgoing other spending to do so.

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The SMSF Owners' Alliance has been formed to speak for nearly one million Australians who are trustees and beneficiaries of self-managed superannuation funds.