SMSF
Owners' Alliance
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Today's Super Changes

Today's announcement will go some way to resolving the current uncertainty about the taxation of super and defusing a political problem for the Government.

SMSFOA sees merit in setting up a Council of Custodians to uphold a Charter of Adequacy and Sustainability. The Council must be truly independent and reflect the full superannuation spectrum including SMSFs which account for a third of the $1.5 trillion in super.

Increased contribution caps are necessary, as we pointed out in our pre-Budget submission but they don't go far enough. The contribution cap should be at least $50,000 for everybody to encourage Australians who can to save enough money into super to support themselves independently in retirement and avoid having to rely on the age pension. At current savings rates, this fundamental objective of the super system will not be achieved and the system is not sustainable.

The proposed treatment of the unfair excess contributions tax is a sensible move and in line with SMSFOA's pre-Budget submission to Treasury.

The imposition of a 15% tax on super fund members earning more than $100,000 is a new tax which breaks the principle that people who have saved into super should not be subject to changes to the rules that reduce the value of their savings. Imposing a new tax on fund earnings, where none currently applies, does exactly that.

The Prime Minister ruled out any tax on withdrawals from funds for people over 60, yet this new tax on fund earnings will have the same effect – the value of their super savings will be reduced.

When a new tax threshold is set, there is always the risk of changes to the threshold in the future.

In setting a new tax on fund earnings, the Government appears to be driven by an ideological motive to target people on higher incomes. The new tax will not make the super system more sustainable but simply extract more tax from people who already pay a large share of income tax, whose opportunity to make tax savings via super is limited by the cap and who have already paid full marginal tax on voluntary contributions above the cap.

The Capital Gains Tax arrangements may result in more complexity and cost for SMSFs and the detail of how they will work in practice will need to be considered by experts in this area.

The Government has recognised that politicians and senior public servants should have their generous defined benefit super entitlements subject to an equivalent tax rate. This outcome must be achieved through an independent process without conflict of interest issues arising for officials.

Contact:
Duncan Fairweather
dfairweather@smsfoa.org.au
0412 256 200