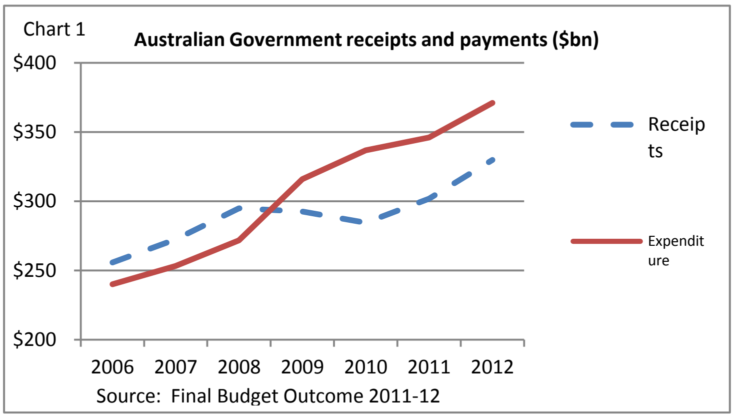
SMSF Owners' Alliance
Limited ABN 96 161 052 464
Not-for-profit public company

30 January 2013

EXTRACTS FROM SMSFOA 2013-14 PRE-BUDGET SUBMISSION

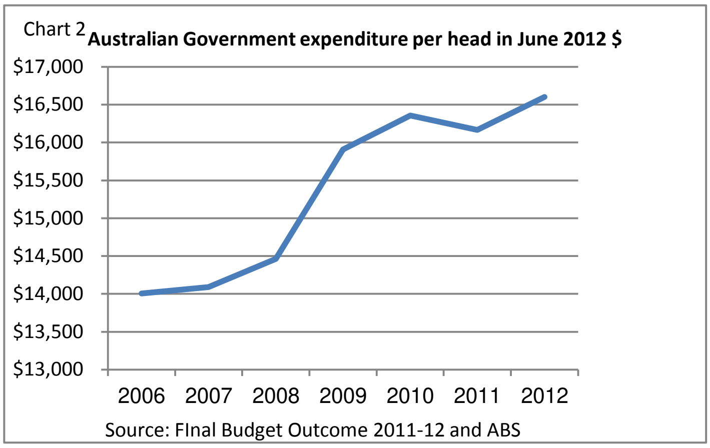
"Spend less not tax more"

We are concerned at commentary, particularly around the time of the mid-year fiscal and economic review, which appeared to suggest that the government may increase the tax impost on the superannuation sector, and on SMSFs in particular, in order to reduce the current deficit and achieve a balanced Budget outcome. We note the Treasurer's statement that the government would no longer pursue that outcome with regard to the 2013 Budget but would continue to work towards a surplus Budget in the future.



We support the government's long-term objective but note the fact that last year taxes collected were the highest ever with tax receipts 40% higher ($88bn) than they were in 2006-07, including personal tax receipts equal to an average of about $10,000 per taxpayer. The deficit was because the government's payments last year were also the highest on record at nearly $120 billion (46%) more than in 2006-07. Chart 1 shows how rising government expenditures exceeded its taxations receipts in 2009 and has continued rising thereafter.

This illustrates that the amount of money that was spent by the government on stimulus during the early part of the global financial crisis (GFC), justified at the time as necessary one-off measures, has become locked into the budget and is being spent on other programmes.



Even when adjusted for CPI and population growth, government expenditure has risen 18% in the last 5 years. Chart 2 shows expenditure by the Australian government per head in June 2012 dollars has continued to rise over the past six years to over $16,000 per head.

While it may be argued that government spending should be measured as a percentage of GDP, we do not believe that a growing economy should necessarily give any government a licence to spend more and to tax more, particularly not on a per capita basis.

We are being led to believe that budget pressures will cause continued scrutiny of superannuation incentives (particularly where the government argues that they benefit one group at the expense of the majority). However, SMSFOA contends that there should be no such pressures given the already massive increase in tax revenue received over the last 5 years, an increase of 40%. Rather, the real problem is that expenditure has increased by even more - 46% - and it is this increase that should be scrutinised and savings used to reverse the recent restrictions on superannuation contributions.

Drawing on the nation's superannuation assets and undermining the superannuation system to fix short-term Budget problems risks stifling the development of a sustainable retirement system in Australia to its long-term detriment. **The remedy for a deficit is to spend less, not tax more.**

In this context, we are concerned that a comment by the Treasury Secretary, Dr Martin Parkinson, [13] in the recent speech that *"with the Commonwealth budget coming under increasing pressure…the fiscal sustainability of all policies, including superannuation, will demand greater public scrutiny"* is intended to imply that the government may increase the taxation of, or reduce tax concessions for, contributions to and funding in superannuation funds.

Concessional taxation of contributions is a fundamental element of the superannuation system and applies equally to all super savers. The fact that some savers are more able at some points in their working life to utilise concessional contributions is, perhaps, a function of the stage they have reached in their working lives, their income and the priority they put on saving. While these people may have a greater capacity or willingness at times to make additional concessionally taxed contributions, they may also pay substantially more tax overall as pointed out in this submission. Those who, in good faith, make an effort to maximise their contributions within the rules, making spending and lifestyle choices to do so during their working life, should not be regarded as 'favoured' at the expense of others who cannot do so or who choose to spend their money now rather than save.

Notwithstanding some issues with regard to the current framework within which SMSFs operate, the sector has been the best-performing of the superannuation funds spectrum and was reported in the Cooper Report as being *a "largely successful and well-functioning part of Australia's retirement system"*. It also recognised that this sector required less regulation than those funds regulated by APRA (referred to herein as "APRA Funds") because *"members" interests in the APRA Funds are not always paramount."*