

Media Release – 24 July 2013

**More retired people may face tax on their super fund earnings**

The strong returns posted by major superannuation funds in 2013 indicate that many more Australians could be hit by the Government's proposed 15% tax on super fund account earnings than was predicted at the time it was announced.

Chant West has reported that in 2013 the median growth fund returned 15.6% on average.

If this good performance is repeated in 2014 and future years, many retired people living off their superannuation savings could find themselves paying a new 15% tax on earnings of more than \$100,000 from their super accounts.

This would capture many more Australians than the 16,000 estimated by the Government when it announced the new earnings tax in April.

We estimate that in round numbers at least 80,000 members of SMSFs will be subject to the tax if their SMSF matches the performance of the large managed funds.

Of course, super funds may not generate such high returns each year, though the Chant West report shows that in five of the last ten years, super fund returns topped 13%. So the tax might apply to some super accounts in some years but not others.

SMSFOA has suggested that the new earnings tax be spread over a cycle so that fluctuations in fund earnings from year to year and spikes in income caused by the sale of an asset are averaged out.

The new earnings tax has not been legislated yet and there remain outstanding questions about how it will work:

- Will members of self-managed funds be able to even up the distribution of assets to accounts within a fund so they are not exposed to the earnings tax? Typically, an SMSF has two members and it would be unfair to tax one member because he or she has more assets allocated to their account than their partner and so earns more.
- How will earnings be defined?
- How are multiple super account holders to be identified and reported? What additional costs will this impose on managed funds and the ATO? Will the collection of the earnings tax be cost efficient?

SMSFOA believes the proposed 15% earnings tax is unfair because it will be retrospective in effect and that it will be complex and costly to administer. The Government should reconsider its proposed new tax and the Opposition should commit to dump the tax if the Coalition wins the election.

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