SMSF Owners' Alliance
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Not-for-profit public company

Less frequent super changes should not rule out change for the better

31 July 2013

The Government's recognition that people are fed up with constant policy changes to their superannuation is welcome.

The immediate application of a five year freeze on policy change should mean there will be no further changes to the taxation of super to repair the budget in the run-up to the election.

As the election is about to be called and we are effectively in a caretaker period, there should be no further action taken on the establishment of the Council and appointments to it until after the election when the next Government will be able to give further thought to the recommendations of the Charter Group and take stakeholder views into account.

In keeping with the key principle accepted by the Government – that changes to superannuation should not be sudden and without consultation – the Government should reconsider the new and retrospective 15% tax on earnings on some superannuation accounts announced abruptly in April at the same time as the Charter Group was announced. Likewise, the Coalition, if it forms the next government, should not proceed with the new tax.

SMSFOA supports a considered and consultative approach to the reform of superannuation as recommended in today's report by the Charter Group. However, a five year freeze on any further change is too rigid when positive reforms to the system are necessary.

We agree there should be no adverse changes that make superannuation savers worse off. However positive changes that make the system more sustainable in the long run should not be ruled out.

The superannuation system needs to continue to evolve in a constructive way to achieve its objective of delivering financial independence in retirement for most Australians. Currently, we are falling well short of this goal.

The most pressing reform needed is to increase the voluntary contribution caps and make them more flexible to allow for changes in income patterns during a working life. The present voluntary caps are too low for most Australians to save enough in super to support themselves comfortably throughout their retirement. Flexibility is important for people who have career breaks, for example women who leave the workforce to look after their families, and for people who need to turbo charge their super savings towards the end of their working lives when they are free of other obligations like paying off a mortgage and educating their children.

Today's report by the Charter Group contains recommendations that SMSFOA canvassed in our submission.

- The proposed Council of Guardians should be separate, independent and enshrined in legislation.

- Council members should be appointed on individual merit rather than as representatives of interest groups.
- Changes to superannuation policy should only be introduced after a proper consultation process rather than by binding announcement. Hopefully this will mean no more budget super tax shocks.
- The Council should develop a comprehensive framework of analysis to weigh the notional costs of tax concessions for superannuation savings against future offsetting reductions in Age Pension costs. Our own analysis clearly shows that super tax incentives are far outweighed by future pension cost savings.

We note the report suggests the Council should be funded from existing levies, including the SMSF Supervisory Levy charged by the ATO. As a purely advisory body without any regulatory powers, we believe the Council should be funded from general revenue as are other advisory arms of government. We would oppose any increase in the SMSF Supervisory Levy, which has just been increased by 50% without sufficient justification in our view and which will collectively cost SMSFs $513 million over four years. Superannuation funds, including SMSFs, already generate substantial tax revenues.

Although our submission questioned the need for a new bureaucracy when good government policy making should be enough, the Charter Group's report does provide a blue print for a policy oversight process that should result in a more considered, measured and sensible approach to superannuation policy in the future and make it more difficult for governments to dip into the pool of superannuation savings whenever they run into budgetary difficulties by spending too much.

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