

## **SMSF Owners' Newsletter #11/2015**

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### **Change of PM may be a game changer for SMSFs**

Superannuation tax concessions are back in the political firing line.

The new Prime Minister, Malcolm Turnbull, has said all tax options are on the table.

This is a change in approach from Tony Abbott who ruled out any unexpected adverse tax changes to super before the next election and beyond.

However, Mr Turnbull is not ruling anything in or out. And he has given no indication of the position his government may take on superannuation tax.

SMSF Owners has urged the Prime Minister to maintain the 'thoughtful' approach that he says will guide his government on policy change.

With the government now prepared to consider changes to superannuation taxation, it becomes more important for SMSF Owners to emphasise the key conclusion in our submission to the Tax White Paper Task Force – essentially that superannuation taxes can be made "lower, simpler, fairer" by recalibrating the tax on contributions and not taxing earnings or pensions. Our proposal would make superannuation more efficient and allow more Australians to save enough to be self-reliant in retirement, while not harming government revenues.

Our latest media release on this topic is here: <http://www.smsfoa.org.au/in-the-media/media-info.html>

**It's clear that the policy stakes have been raised for SMSF owners. The taxation of superannuation, read SMSFs, is going to be a key issue in the lead up to the next Federal election. Labor is promising a new tax on super account earnings in retirement. The Coalition's policy is yet to materialise. More than ever we need a strong, independent voice. SMSF Owners speaks up for all SMSF trustees and beneficiaries. In a policy debate dominated by large vested interests with well-funded lobbyists we need all the support we can get. Please encourage your friends and colleagues with SMSFs to join up. It may be the best investment they'll ever make – only \$55 per year with no joining fee.**

**Please direct them to our website – [www.smsfoa.org.au](http://www.smsfoa.org.au)**

## Our new Minister



Malcolm Turnbull's appointment of Kelly O'Dwyer to his Cabinet as Assistant Treasurer and Minister for Small Business has been widely welcomed, not least by SMSF Owners. As Assistant Treasurer, she is the minister responsible for superannuation and there is a high degree of synergy between her portfolios as many small business people use self-managed funds to build their assets and a secure future. Kelly O'Dwyer has been in the Parliament since 2010 holding the Melbourne seat of Higgins, previously held by Peter Costello, and before that was a corporate lawyer with Freehills.

On the day she was appointed to the Cabinet, our Chairman, Bruce Foy, wrote a letter of congratulations:



21 September 2015

Hon Kelly O'Dwyer MP  
Assistant Treasurer and Minister for Small Business  
Parliament House  
CANBERRA ACT 2600

Dear Minister

SMSF Owners extends our congratulations and best wishes on your appointment to the Cabinet as Assistant Treasurer and Minister for Small Business. Both of your new portfolios are of importance to our members who are trustees/beneficiaries of self-managed funds, many of them with business interests. Self-managed funds have a significant role in helping small business owners to build assets and provide for their future financial independence.

SMSF Owners is an independent voice for the one million Australians with self-managed superannuation funds in the ongoing policy discussion over the future of the superannuation system. Our sole requirement for membership is that members must be trustees or beneficiaries of self-managed funds. We are a not-for-profit advocacy group that owes nothing to the vested interests in the superannuation 'industry'.

We are participating in the Tax White Paper process and have been actively involved in other Government and Parliamentary policy reviews.

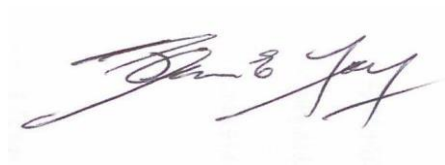
In a nutshell, we strongly support the prime objective of the superannuation system to enable Australians to save for the future and to be financially independent in retirement. We champion the role of self-managed

funds as the most successful vehicle in achieving these objectives. We challenge the notion that superannuation tax concessions are inherently unfair. These claims are generally based on flawed analysis and misinterpretation of Treasury numbers.

We have developed a Pension Sustainability Model that provides projections of superannuation policy settings so that our submissions to Government are backed with sound analysis.

We have enjoyed an effective working relationship with your predecessors as Assistant Treasurer, Josh Frydenberg, Mathias Cormann and Arthur Sinodinos, and their advisers, and look forward to establishing an equally effective relationship with you and your staff. We hope you will be able to find time in your diary for an early meeting so we may brief you further and understand your policy priorities. We would also be very pleased to arrange a speaking opportunity for you in Sydney when convenient. I attach a letter we sent to the Prime Minister last week.

Yours sincerely



Bruce E Foy  
Chairman

On the issue of 'fairness', Kelly O'Dwyer understands this is a complex issue as she said in a speech to the Centre for Independent Studies in February:

*"We will only achieve reform if we convince the Australian population that the reform is fair. Not fair in a simple redistributive sense, but fair having regard to principles like intergenerational equity, reward for effort, personal responsibility and policy certainty, as well as a moral responsibility to have a social safety net for those who are truly vulnerable in our society."*

Kelly O'Dwyer set out her political philosophy in her maiden speech to the Parliament in 2010. Some key quotes:

*"In my view, the best path to our collective prosperity involves giving individuals, families and businesses, the freedom, opportunity, and encouragement to build and secure their own futures".*

*"Believers in big government think Canberra can and should solve every problem. I do not accept this. Government action invariably involves some concession of liberty to the state. But that concession should be limited to what is vital. Canberra simply cannot know what is best for every person and every situation. When Government does act, it should look to maximise choice and opportunity."*

*"Basic fairness and compassion mean a strong social safety net is essential. But I want as few people as possible to rely on it."*

*"Social policy cannot be implemented without a strong economy. A strong economy is the ultimate form of social policy – with it comes the chance of a job and a higher standard of living, the chance to fulfil aspirations."*

*Parliamentary Hansard 8 February 2010.*

We aim to build the same effective working relationship with Kelly O'Dwyer and her advisers as we enjoyed with her predecessors.

Josh Frydenberg, now promoted to the Cabinet position of Minister for Energy, Resources and Northern Development, has taken the trouble to write to SMSF Owners thanking us for working well with him and his advisers as Assistant Treasurer.



**The Hon Josh Frydenberg MP**  
FEDERAL MEMBER FOR KOOYONG

Mr Duncan Fairweather  
Executive Director  
Self-Managed Superannuation Fund Owners Alliance  
PO Box R1490  
Royal Exchange  
SYDNEY NSW 1225

Dear Mr Fairweather <sup>Duncan</sup>

I would like to take this opportunity to thank you for the valuable contribution the Self-Managed Superannuation Fund Owners Alliance has made to the reform agenda during my period as Assistant Treasurer.

Our financial services industry and superannuation system are world-class and play a vital role in our economy.

I have really appreciated your participation, sharing of ideas and expertise, including in relation to the Financial System inquiry and Tax White Paper process. I also recognise the open lines of communication you have maintained with me and my office.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Josh Frydenberg'.

*Duncan, its been a pleasure working with you. Josh*

**JOSH FRYDENBERG**

30 SEP 2015

## What next?

If, as the Prime Minister has indicated, the Government intends to proceed with an orderly and considered approach to superannuation taxation, via the Tax White Paper process, we expect the next step will be the release of a policy options paper (Green Paper). This may give some idea of the Government's thinking on tax reform generally and superannuation tax in particular.

The Government is being egged on by a cluster of business, union and community groups to roll back superannuation tax concessions for people on high incomes. This seems to be about the only specific point that came out of the National Reform Summit organised by the Financial Review and The Australian two weeks ago and from the Prime Minister's 'mini summit' last week in which he was briefed by a select group of participants.

Of course, this argument rests on the familiar but discredited claim that super tax concessions cost the budget \$32 billion and the majority of these tax benefits go to the higher paid.

As members know, from day one, SMSF Owners has challenged the \$32 billion claim as based on flawed Treasury analysis and a misunderstanding at best or a misrepresentation at worst of what it means. We've also consistently pointed out that obviously you can't judge the fairness of tax concessions without taking into account how much tax is paid in the first place.

## In the spotlight

On 21 October, our Research Director, Malcolm Clyde and Executive Director, Duncan Fairweather, will be fronting a Parliamentary Committee in Canberra to explain why Treasury's \$32 billion estimate of superannuation tax concessions is wrong. The House of Representatives Standing Committee on Tax and Revenue is examining Treasury's annual Tax Expenditures Statement from which the \$32 billion figure is derived.

Our submission to the Committee pointed out the flaws – mathematical, methodological and conceptual – in the TES number for superannuation. We can't show you our submission just yet because it remains confidential to the Committee until they make it public.

Submissions already made public are here:

[http://www.aph.gov.au/Parliamentary\\_Business/Committees/House/Tax\\_and\\_Revenue/Tax\\_Expenditures/Submissions](http://www.aph.gov.au/Parliamentary_Business/Committees/House/Tax_and_Revenue/Tax_Expenditures/Submissions)

We recommend those from Robert Carling and Mercer.

If you'd like to watch the Committee hearing on 21 October from 4pm – 5pm, go to:

<http://parlview.aph.gov.au/browse.php> and look for the Tax and Revenue Committee broadcast.

## AGM Date Set

The 2015 Annual General Meeting of SMSF Owners' Alliance Limited will be held on Monday 23 November at 4pm. A formal notice of meeting and agenda will be sent to members via email 30 days prior to the meeting.

Our Chairman, Bruce Foy, will report to members on a busy year for our organisation and preview what promises to be an even busier one.

All SMSF Owners' Alliance members are welcome, however only Principal Members may vote.