

SMSF Owners' Newsletter #12/2015

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AGM coming up soon

The Annual General Meeting will be held at 4pm on Monday 23 November at Level 4, 37 Bligh Street, Sydney.

The Notice of Meeting and Agenda have been emailed to members. However, if you have not received this, please contact info@smsfoa.org.au

At the AGM, our Chairman, Bruce Foy, will report on our activities over the past year and invite discussion on current issues and priorities.

Government response to Financial System Inquiry

The Government has accepted all of the recommendations from the Financial System Inquiry headed by David Murray – except one. The Government did not accept the recommendation that borrowing by SMSFs should be banned. Instead, the Government will monitor SMSF borrowing. We think that's a sensible approach in line with our submissions to the Inquiry. However, it's not a relevant issue for most SMSFs as relatively few are leveraged.

A more significant issue may be the recommendation that the objectives of the superannuation system should be set out in legislation. It is important that the purpose of superannuation is defined in a way that leads to a more effective and more efficient system with incentives to maximise savings.

Reading the tea leaves on tax policy change

The latest focus of the tax debate is on GST with media reports that the Government is considering increasing the GST to 15%.

But tax changes to superannuation are still in the mix with the Prime Minister, Treasurer and Assistant Treasurer continuing to say all options are on the table.

Media reports have suggested the Government is looking closely at the transition to retirement tax rules and also at making the contributions regime more flexible to help people make up their superannuation to compensate for time out of the workforce. We have strongly supported flexibility in the contribution rules.

In recent media interviews, the Treasurer has given some insights into his approach to superannuation policy.

With ABC Radio National's Fran Kelly on 2 November:

MORRISON:

"Superannuation changes aren't about tax and trying to get more tax revenue. It is about having a superannuation system that achieves its purpose. Every time Bill Shorten and Chris Bowen talk about superannuation all they can see is the tax dollars that they can raise. We want a superannuation system that just helps people to be independent in their retirement and as focussed on those who are most at risk of not being independent in retirement and that is how we are looking at the system.

With 2GB's Ray Hadley the same day:

MORRISON:

Well, what we want to make sure of with superannuation is that we need to respect the fact that people have been saving under particular rules over a long period of time; that there is nothing that punishes or penalises them retrospectively on any of these things. I mean that is one of those iron clad rules about when you look at these systems. People who are self-funded retirees have landed in the place, through their own great efforts, where we would like to see more and more Australians be when they reach retirement.

And again with Ray Hadley on 26 October:

The Prime Minister made it pretty clear that we are not ruling anything in or out on superannuation now. We are having a good look at it and one of the key issues that has been fed back to us, which we know very well already, is that people over the course of their working life can have their work patterns disrupted. Now, for women in particular that has been known for a long time but it is not just women, as you know, it is a lot of carers as well. You've got a lot of people listening to the program today whose life's events have meant that they have had to move out of the workforce and that means when it comes time when they do go back into the workforce they are sort of behind the curve in terms of trying to build up their superannuation again. So, this is just identifying that this is one of the issues of the many that we have to address. I mean the Labor Party just sees superannuation as something to tax, we see it as someone's pathway to independence in retirement and not being on the pension if we can avoid that and that is what we are seeking to achieve.

HADLEY:

Self-funded retirees and we tend to forget them because they basically are independent and look after themselves.

MORRISON:

They are heroes.”

SMSF Owners appear before Parliamentary Committee

On 21 October, our Research Director, Malcolm Clyde, and our Executive Director, Duncan Fairweather, appeared in Canberra before the House of Representatives Committee on Tax and Revenue which is examining the annual Tax Expenditures Statement (TES) published by the Treasury.

Members will know that the TES is the source for the claim that superannuation tax concessions cost \$32 billion and more and will soon equal the cost of the Age Pension. The argument goes that super tax concessions are costing the budget too much and they are unfairly distributed.

Members will also know that SMSF Owners has criticised the validity of the \$32 billion number for three years now.

In our opening statement to the Committee, we said there were four key areas of concern about the TES.

- The two components of the TES (concessions on contributions and on fund earnings) can't simply be added together to reach the \$32 billion, or higher, number. However, even Treasury has done this.
- In calculating the TES, Treasury uses the wrong benchmark. If they used the tax expenditure benchmark suggested by Dr Ken Henry in his major report on tax, then a lower figure would result.
- The TES doesn't take into account future Age Pension costs if the superannuation tax concessions are withdrawn, resulting in less money flowing into super and more demand on the Age Pension.
- The TES doesn't take into account differences in the income tax scales because they are 'structural'. Superannuation is well established and could also be regarded as structural.

We urged the Committee to recommend that:

- Treasury should use the expenditure tax benchmark in calculating the TES.
- Treasury should put a strong warning on the TES about its appropriate use.
- Treasury should correct misreporting of the TES when it occurs, much the same as company directors must correct misleading information in the marketplace.

We're not a lone voice on this issue – other submissions to the Committee point out the flaws in the TES. Of the submissions you can find here:

http://www.aph.gov.au/Parliamentary_Business/Committees/House/Tax_and_Revenue/Tax_Expenditures/Submissions those by the Parliamentary Budget Office, Mercer Consulting, Robert Carling from the Centre for Independent Studies, Chartered Accountants, Australia and New Zealand and the Financial Services Council are worth reading.

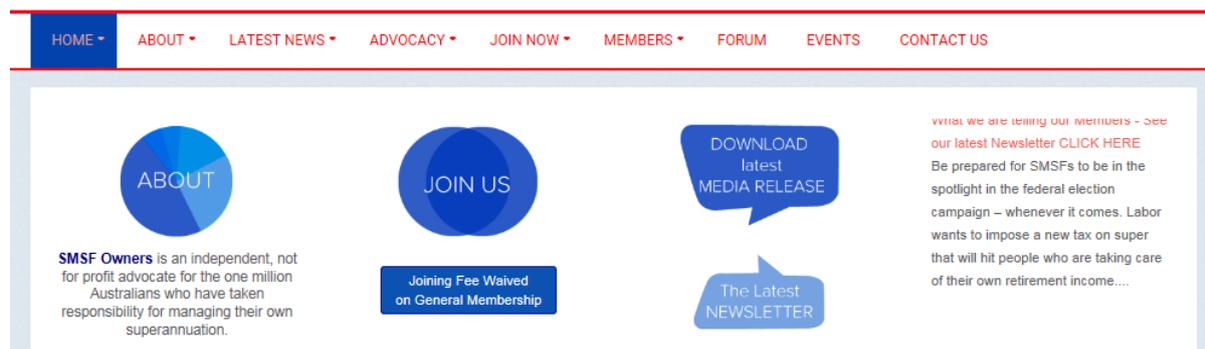
New look website easier to use

We've updated our website – www.smsfoa.org.au – to give it a fresh look and make it easier to use.

SMSF Owners

'Run by SMSF owners for SMSF owners'

Speaking Up for One Million Australians with SMSFs



The membership application and renewal process has been streamlined with easier navigation and less information required.

We've started a new blog for members so you can exchange ideas – you'll need your member log-in details to access this.

Membership renewals

With 1 November being the anniversary of the formation of SMSF Owners, many members will find their membership coming up for renewal over the next few months. We hope you will continue to see value in our efforts.

To renew, go to: <https://www.smsfoa.org.au/presets/member-login.html> . If you have forgotten your username and/or password, click on the link, enter your email address and a code will be sent to you from which you can create a new username/password.

If you encounter any problems, please contact us at info@smsfoa.org.au

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