

SMSF Owners' Newsletter #13/2015

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“Now is the time for the one million SMSF owners around Australia to get active, protect their interests and support our efforts.”

SMSF Owners' Chairman Bruce Foy warns that the next few months will be critical as the taxation of superannuation is set to be an election issue. At the AGM on 23 November, he called on SMSF trustees to get behind SMSF Owners and protect their savings.

Chairman's Report:

SMSF Owners' have notched up our third year in operation.

The factors that drove a group of us to set up SMSF Owners as an advocacy body remain as valid today as they were three years ago – even more so.

Self-managed funds are the largest and most successful segment of the superannuation sector with \$570 billion in assets held by nearly 560 funds with over one million members.

That success makes self-managed funds a target for those who want to rein them in and tax them more.

The next few months will be critical for self-managed funds and their owners.

The Labor Opposition is committed to impose a new tax on account earnings in retirement of more than \$75,000.

Meanwhile, the current Coalition Government is holding a review of taxation in which all options are on the table across the whole range of taxation.

We still don't know what the Government will propose but we are heartened by recent reports out of Canberra that the Prime Minister is interested in changes to the tax structure for superannuation along the lines of the approach we suggested to the Tax White Paper Taskforce.

It's also encouraging to hear the Treasurer say that the Government wants to make contributions to superannuation more flexible to allow for changes in income during a working life – something we have also championed.

So the scene is set for the taxation of superannuation and particularly the taxing of self-managed superannuation to be a major political battle ground in the run-up to the election.

Now is the time for the one million SMSF owners around Australia to get active, protect their interests and support our efforts.

Policy agenda

In the past year, we have taken a pro-active and positive stance towards superannuation policy change.

We have made two substantial submissions to the Taxation White Paper Taskforce and we will need to prepare another when the options paper (Green Paper) is released in the near future.

In our submissions we did not take the defensive line that nothing should change.

We approached it from the viewpoint of how to make the superannuation system work better for everyone.

We took into account policy changes over the last two decades which have given us a superannuation system that works reasonably well but is not the best it can be. On our current course, two thirds of people will still be on the Age Pension to some degree by the middle of this century. This finding by the 2015 Intergenerational Report is a wake up call.

We need to give more people the opportunity to put more money into superannuation so they can be financially independent in retirement and old age.

We put forward an alternative proposal for recalibrating contributions while leaving untaxed the earnings in both the accumulation and pension phases and pension drawdowns in retirement.

We showed this can be done relatively easily to improve outcomes for savers in terms of being able to accumulate more in their super funds over time and increase their super-based pensions while not adversely affecting government tax revenue.

We illustrated this with research showing that tax concessions make up a relatively small portion of the pension funding base while by far the largest portion is accumulated earnings.

The other major policy review of the past year has been the Financial System Inquiry which produced an Interim Report and then a Final Report. SMSF Owners made submissions to both.

The Government has accepted all of the FSI recommendations except one. The Government did not accept the recommendation that borrowing by SMSF's should be banned. Instead, the situation will be monitored. We think that's a sensible approach.

A significant outcome for superannuation could be the FSI's recommendation that the purpose of superannuation be agreed and legislated. We may think we know what superannuation is all about but it hasn't actually been written down in legislation.

This is not just a semantic exercise. How the purpose of superannuation is defined will in turn influence how it is regulated and taxed.

So this will be another important focus for our efforts in future.

There's another review underway that is relevant to superannuation tax concessions and their perceived fairness. The House of Representatives Standing Committee on Tax and Revenue is examining the report prepared by Treasury each year (the Tax Expenditures Statement or TES) that attempts to measure the cost to the budget of various tax concessions.

Members will know that SMSF Owners has waged a long campaign to have the TES number relating to superannuation – the often quoted \$32 billion – properly calculated and properly used in economic and media commentary.

This is particularly important when the TES is used to justify Government and political party policies on taxing superannuation.

Two of our directors recently appeared before the Parliamentary Committee to put our case that the current TES is flawed and needs to be better constructed, better understood and better used in policy discussion.

Appointment of SMSF Policy Advisory Council

In June, we announced the formation of the SMSF Policy Advisory to give advice on superannuation policy issues affecting self-managed funds.

The initial appointments to the SMSF Policy Advisory Council are:

- *Diana D'Ambra, Chair of the Australian Shareholders' Association and former KPMG Executive Director*
- *Stuart Forsyth, previously a senior ATO executive dealing with the supervision of SMSFs and now a director of the advisory firm McPherson Super Consulting and a non-executive director of SuperIQ.*
- *Matthew Rowe, Managing Director of Hood Sweeney, a professional services firm providing accounting, wealth management and information technology to individual and business clients.*

Diana, Stuart and Matthew are successful and well respected in their fields. They will be a sounding board for ideas on the development of SMSF Owners as a strong and effective advocate for self-managed funds. They will bring an independent and knowledgeable perspective to the table and help to guide our thinking on the important strategic policy issues with which we are dealing.

Networking

During the year, SMSF Owners has deepened our relationships with associations with similar philosophies and policy approaches. Notably the Australian Shareholders' Association and the Australian Investors Association.

In the context of the Tax White Paper, we organised a Joint Letter setting out the key principles of superannuation signed by six other like-minded organisations that speak for investors and business.

We intend to do more of this network building to convey a coherent and concerted view to government.

Conclusion

I take the opportunity to thank the members of SMSF Owners for their ongoing support during the year and also to acknowledge the efforts and commitment of our directors during the past year.



Bruce Foy
Chairman

Some encouraging policy smoke signals from the Canberra

While the Government flirts with the possibility of raising the GST, recent reports from Canberra encourage us to hope that the Government may come up with sensible changes to the taxation of superannuation.

These reports indicate the Prime Minister is interested in changing the structure of superannuation tax along the lines suggested by SMSF Owners in our submissions to the Taxation White Paper in May and July this year and more recently floated by Deloitte Access Economics.

Essentially, our proposal was to change the present flat tax rate on contributions to a tax rebate on contributions that is keyed to the individual's marginal tax rate. This would be fair and make the system simpler without affecting Government revenue. The taxation of fund earnings would end so there would be no taxation of savings in a superannuation fund, making the system simpler and less costly to administer.

Our proposal takes a step further the recommendations of the Henry review of taxation six years ago.

A better indication of the Government's intentions will be gained when they release an options paper (Green Paper) expected around the end of this year or early next.

When this occurs, SMSF Owners will be ready to make another constructive contribution to the policy debate and try to get a good outcome for SMSF trustees and members. But we can't take anything for granted.

Tell your friends and colleagues about SMSF Owners

As our Chairman pointed out at the AGM, the months leading up to next year's election will be crucial for the owners of self-managed funds with possible changes to the taxation of superannuation in the policy melting pot and an election looming in which superannuation will be a defining issue.

SMSF Owners will step up our efforts to ensure the voice of one million SMSF owners is heard in the policy debate.

We need all the help we can get. In the weeks ahead, as you celebrate Christmas and New Year with friends, colleagues and neighbours, take the opportunity to tell them about the work SMSF Owners is doing and encourage them to support us by becoming a member for only \$55 a year. It could be the best investment they'll ever make!

Joining up is easily done online at www.smsfoa.org.au



SMSF Owners is an independent, not for profit advocate for the one million Australians who have taken responsibility for managing their own superannuation.



Joining Fee Waived
on General Membership



The Latest
NEWSLETTER

What we are telling our members - See our latest Newsletter [CLICK HERE](#)
Be prepared for SMSFs to be in the spotlight in the federal election campaign – whenever it comes. Labor wants to impose a new tax on super that will hit people who are taking care of their own retirement income....

What we are telling the Government

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

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