

A Double R (for retrospective) election

10 May 2016

Both of the major parties are running to the 2 July election with new and retrospective taxes on superannuation.

The Liberal/National coalition will impose a new tax on earnings on balances above \$1.6 million and limit non-concessional (after tax) contributions to \$500,000 for life.

Labor will impose a new tax on earnings on retirement account earnings over \$75,000.

This is a fundamental change. There has NEVER been any tax on earnings on super balances held by retirees. Tax free earnings for retirees has been an established feature of our tax system since income taxes were introduced.

Both parties claim their new taxes on earnings in retirement are not retrospective.

We don't accept this.

The Coalition's new \$500,000 limit on non-concessional contributions is back-dated to 2007. Any such contributions made since then will count towards the new limit. Some people may not be able to make any more contributions if they have already contributed \$500,000, others will only be able to 'top up' to the cap.

This will disrupt the retirement savings plans of people who were intending to make non-concessional contributions to boost their superannuation savings.

Both the Coalition and Labor plans to impose limits on tax-free earnings in retirement will be retrospective because they will impose a new tax on the earnings on savings that have already been made.

Superannuation is a 'contract' between the government and taxpayers. First, taxpayers agree that they will forego income today in return for tax-free income in retirement. Second, governments commit to delivering in the future on their promise to provide tax free retirement incomes.

Based on this contract, people have made life-changing plans for their retirement, including when to stop work, where they will live and the standard of living they expect in their, hopefully, long years in retirement.

The contract has now been torn up by both of the major parties. They are renegeing on their promise.

It has long been accepted that tax changes should not apply retrospectively, except when they are needed to deal with tax avoidance. This convention has now been broken by both of the major parties.

There is much to like about the superannuation changes announced in the Budget a week ago.

Allowing 'catch up' contributions for people whose work patterns are disrupted is something we have promoted consistently in our submissions to the Government.

Likewise, getting rid of the work test for those under 75 is a good move, though why set any age limit?

Introducing a superannuation tax offset for people on low incomes is fair.

However, these positives are over-shadowed by the proposals to apply a new earnings tax in the retirement phase for the first time and with retrospective effect.

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