

More haste, less speed - Parliament should take its time over superannuation legislation

31 October 2016

The national Parliament is about to consider sweeping changes to superannuation that will affect many Australians. We expect legislation to enact the legislation will be introduced as early as next week in the session commencing on 7 November.

The Government is aiming to have the legislation passed by the end of this year.

We urge the Parliament to pause and consider before passing the legislation.

It should be referred to Parliamentary Committees for review and the taking of submissions from Australians whose retirement savings will be affected, the associations that represent them and superannuation experts.

The Government's consultation on the draft legislation released so far has been hasty with just a few working days allowed for comments on three tranches of complex new law.

The legislation introduces a new definition for superannuation, new structural concepts, new rules on contributions and new tax applications.

They are the most significant changes to superannuation in a decade - since the reforms Peter Costello made in 2006.

They will have an impact not just on the 4% the Government says will be directly affected now but on many more who are in mid-career and aiming for a financially independent retirement.

The Senate in particular needs to consider whether it is prepared to pass tax law with retrospective effective when, on principle, it has been reluctant to do so in the past.

The changes take many pages of legislation to explain. There is a risk of unintended consequences if the legislation is rushed.

As well as giving the Parliament the opportunity to give proper consideration to the new superannuation laws, the Government should consider extending the start date of 1 July 2017.

Superannuation fund trustees, including the trustees for half a million self-managed funds, face important decisions. Their financial advisers, accountants, lawyers and auditors will have to quickly get across the detail of the legislation. That's not to mention the task of modifying systems that faces the major funds and the ATO.

We appreciate there will be a revenue cost if the start date is pushed back, however it is important to make sure the new law will be workable and that Australians are given reasonable time to understand what the law means to them and to make well-informed decisions about the disposition of their retirement savings.

In any case, changes to superannuation should not be about raising revenue. They should be to make superannuation more efficient and effective, enabling many more Australians to achieve a financially secure retirement.

It is not good economics to curtail long-term retirement savings to fund recurring Government spending.

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