Superannuation (Objective) Bill 2016

Submission by Ashley Holmes

December 2016

Recommendations

1. Cap superannuation at $2 Million Dollars per person
2. Make superannuation contributions tax free
3. Make superannuation earnings tax free
4. Tax superannuation drawdowns at the marginal tax rate

1. Cap superannuation at $2 Million Dollars per person

Australia's superannuation system provides citizens with a tax effective environment that both incentivises and helps people to save enough to fund their own retirement. The goal of the system is to reduce the country's reliance on the pension.

While $2m (or $4m for a couple) might not be enough to enjoy a wealthy retirement or even be classed as 'rich', it is enough to not require the pension. Once a balance of $2m is reached, the favourable tax treatment of those savings has achieved its goal, and its benefits should be limited to that $2m.

People would be welcome, and in fact encouraged, to continue to save outside of the superannuation system, but regular tax rules will apply. Too much of the superannuation tax concessions go to people that will never need to receive the pension. This proposal would even allow the system to become more generous, in order to bring more people up to a level where they will not need to rely on the pension.

2. Make superannuation contributions tax free

All contributions whether compulsory or voluntary at all stages of the superannuation lifecycle should be tax free. This will firstly allow balances to build up quicker and secondly encourage as much additional voluntary contributions as possible.

Tax free contributions will also eliminate the unnecessary complexity surrounding tax and superannuation.

3. Make superannuation earnings tax free

Similar to the previous point, if all earnings within superannuation are free from taxation balances will grow quicker and compliance will be simple.

4. Tax superannuation drawdowns at the marginal tax

Superannuation should not be completely free from tax however and it should be taxed on the way out at the same rate that everyone else pays tax. The same tax free thresholds should apply and the same marginal tax rates should apply.

This would ensure fair contribution to government revenue and would penalise large lump sum withdrawals designed to allow those that do not require a pension to access a pension.

Any remaining superannuation remaining at the death of the beneficiary should all be drawn down and tax paid at the marginal rate.

Conlusion

Superannuation should be wholly and solely for the purpose of reducing the number of people reliant on the aged pension.