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Committee Secretary
Senate Economics Legislation Committee
P.O. Box 6100
Parliament House Canberra ACT 2600 November 16, 2016

Submission re: *Superannuation (Excess Transfer Balance Tax) Bill 2016 [Provisions] and Treasury Laws Amendment (Fair and Sustainable Superannuation) Bill 2016 [Provisions]*

Summary of my proposal: *To tax superannuation pension income above first $100,000 at 15% (as originally proposed by the Government) without any limits imposed on the balance of Superannuation Pension Funds.*

Dear Senators,

It was only a few years ago that Australian Government announced the Simple Super initiative, describing it to this day on its web site https://simplersuper.treasury.gov.au/ as:

> *"The Simplified Superannuation reforms will make superannuation easier to understand, improve incentives to work and save, and provide greater flexibility over how superannuation savings can be drawn down in retirement.*
>
> *Under the reforms, the adequacy of retirement incomes will be improved, and over 10 million Australians with superannuation accounts, plus future account holders and their families will benefit through greater simplicity."*

You would agree that with the passage of time, and in the view of the latest (implemented and proposed) changes, the Australian Superannuation system is becoming more complicated, difficult and expensive to administer, less trusted, with many current and future self supporting retirees feeling robbed of the benefits promised by the Governments, current and past.

It is obvious to all Australians, that the Government is prepared to break its many promises and raid our super benefits because it can. It is particularly painful because the extra superannuation taxes proposed are not being matched by any savings in many Government spending areas already identified as excessive but not addressed for political and/or other reasons.

Putting this aside, and assuming that it is necessary to tax some of pension income, **the Government proposes to do it in the most unfair and complicated way possible.**

The issues contributing to the unfairness of the proposed bill are:

1. Those in a position to invest in more profitable enterprises will be able to earn more in the pension fund (for example 15%, or $240,000 pa on a starting balance of $1.6M), while older or less sophisticated and risk averse self supported retirees will only be able to earn $40,000 pa at best (at 2.5% interest rate, possibly lower in the future);
2. Those earning $240,000 (as in 15% income in the example above) in the pension fund will have to withdraw between 4% and 14% (subject to their age) as a pension. When the withdrawn pension is less than the income earned, the pension fund balance may even grow with time well above the initial $1.6M (and its tax free income in dollar terms will grow as well); while

3. Those earning $40,000 (or 2.5%) will also have to withdraw between 4% and 14% (subject to their age) - much more than the income earned, thus depleting their pension balances (and subsequently future tax free earnings) to comply with regulations and support themselves. In line with the current proposal, they will not be able to supplement their depleted pension funds even if they have money in their accumulation fund. **Older and less sophisticated self supporting retirees are therefore severely penalised (and discriminated against) for their choice of low risk investments and/or lack of access to, or ability to utilise, more profitable (and therefore more risky) investment opportunities.**

Issues adding to the complexity and cost of compliance and administration apply especially to self funded retirees with current pension account balances over $1.6M. They include the need to, as of July 1, 2017:

1. Ensure the total pension cap is set within the $1.6M limit, potentially across multiple pension funds.
2. Split existing superannuation pension funds of over $1.6M in assets into two accounts - pension (with the cap of $1.6M per person) and accumulation;
3. Split existing assets between the pension and accumulation accounts and manage them separately; and
4. Subsequently report annually to ATO for multiple accounts.

My suggestion for a fairer and simpler proposed superannuation reform is:

> **To tax at 15% any income above the first $100,000 of the pension income (per individual), as originally proposed by the Government, without any limit imposed on the balance of Superannuation Pension Fund(s) held by an individual.**
>
> **Superannuants with multiple pension funds can chose which fund will report on the total pension income to enable the tax due to be calculated and paid from the fund chosen by the superannuant.**

This approach will ensure, to some extent, the fairness, flexibility and simplicity of our superannuation system by:

1. Providing the Government with their targeted revenue source with close to $0 cost of implementing an additional compliance regime;
2. Ensuring fairness by imposing progressive tax on pension income (the more you earn, the more you pay - the basis for our income tax system);
3. Enabling the current level of flexibility be maintained, with superannuants of eligible age being able to distribute their funds between pension and accumulation funds in whatever way they wish, subject to their personal circumstances and strategies; and
4. Allowing the administrative effort to stay on the same level it is now for superannuants and superannuation funds. The ATO Superannuation Tax return form (and ATO processes) will require only a minor change to enable reporting of the total pension income for individuals with multiple pension funds, based on their individual tax file number.