E

Appendix E—A plan to simplify and streamline superannuation

On 10 May 2006 the Treasurer announced a significant number of proposed changes to the superannuation and retirement income systems generally. These are detailed in *A Plan to Simplify and Streamline Superannuation.*[1] A summary of these proposals is outlined below.

From 1 July 2007:

- superannuation benefits paid from a taxed fund either as a lump sum or as an income stream, such as a pension, would be tax free for people aged 60 and over
  - ⇒ people would still be able to access superannuation benefits before the age of 60, although they would continue to be taxed on their benefits under new simplified rules
- benefits paid from an untaxed scheme (mainly affecting public servants) would still be taxed, although at a lower rate than they are now for people aged 60 and over
- reasonable benefit limits would be abolished
- individuals would have greater flexibility as to how and when to draw down their superannuation in retirement. There would be no forced payment of superannuation benefits

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1 The Treasury, *A Plan to Simplify and Streamline Superannuation*, Canberra, May 2006.

- the concessional tax treatment of superannuation contributions and earnings would remain. Age-based restrictions limiting tax deductible superannuation contributions would be replaced with a streamlined set of rules
  - ⇒ contributions up to an annual limit of $50 000 per annum per person would be taxed at a concessional rate of 15 per cent. Contributions above this limit would be taxed at the top marginal tax rate
  - ⇒ undeducted contributions would be limited to $150 000 each year. Amounts above this limit would be returned to the individual. Earnings on the excess would be effectively taxed at the top marginal tax rate
- the self-employed would be able to claim a full deduction for their superannuation contributions as well as being eligible for the Government co-contribution for their after-tax contributions
- the ability to make deductible superannuation contributions would be extended up to age 75.

To increase further the incentives to save for retirement, it is proposed from 20 September 2007 to halve the pension assets test taper rate to $1.50 per fortnight for every $1000 of assets above the assets test free area.