SISFA
SMALL INDEPENDENT SUPERANNUATION FUNDS ASSOCIATION

15 January 2007

Committee Secretary
Senate Economics Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

By e-mail to: **economics.sen@aph.gov.au**

Dear Sir/Madam

Inquiry into the provisions of the Tax Laws Amendment (Simplified Superannuation) Bill 2006 and five related bills

SISFA welcomes the opportunity to make a submission to the Committee's inquiry into the above bills, which create the platform for the full introduction of all the measures in the Government's plan to simplify and streamline superannuation as first announced on Budget night, 9 May 2006 (as modified through the consultation process conducted by the Treasury).

We commend the Government for taking such positive steps to improve the superannuation system and we expect that the proposed changes, when implemented, will increase participation in superannuation by the community as a whole as well as significantly enhance superannuation benefits in the long term. We also commend the Treasury for their receptive approach to the consultation process and its culmination in a package of legislation that appears to be robust and free of any surprises.

While we are supportive of the Government's plan, we believe the following areas deserve further consideration:

- ***In the spirit of the Government's objective to simplify superannuation, we recommend that the contributions work test for people aged between 65 and 75 be removed***. After all, does there remain any reasonable basis for denying the acceptance of a contribution from a 74-year old person who is not working, but permitting a contribution's acceptance from a 74-year old who has happened to have worked for 40 hours over a 30-day period? Removing the work test for this group of people would also be consistent with recent removal of the compulsory cashing requirement for people over age 65 and no longer working.

- We submit that transfers from overseas superannuation arrangements be excluded from the new contributions caps. This is for the reason that such transfers are typically ***required*** (and not necessarily chosen) to be paid directly to an approved superannuation fund in Australia and only have a non-concessional (undeducted) contributions component by default, not design.

Small Independent Superannuation Funds Association Ltd ACN 088 181 980
GPO Box 3315 · Sydney · NSW · 2001 · **Tel (02) 8920 3447 · Fax (02) 8920 0275**

- ***We believe that the Government should consider allowing the new concessional (taxable) contributions limits to be averaged over three-year periods (similar to the proposed approach for non-concessional contributions).***

- ***The taxed element of a superannuation lump sum death benefit should not be subject to tax at 15% in the hands of non-dependants where the deceased person is aged 60 or over.*** This is for the simple reason that the deceased person would otherwise have been able to withdraw lump sums tax-free prior to their death. This is consistent with the proposed taxation of a reversionary pension where the primary beneficiary was aged 60 or over at the time of death.

- We expect to see consequential amendments to the bankruptcy law in relation to superannuation in light of the imminent abolition of reasonable benefit limits.

We look forward to participating further in the Committee's inquiry into the bills.

Yours sincerely

Michael Lorimer
Director and Chair

Graeme McDougall
Chief Executive Officer

Small Independent Superannuation Funds Association Ltd ACN 088 181 980
GPO Box 3315 · Sydney · NSW · 2001 · **Tel (02) 8920 3447 · Fax (02) 8920 0275**