



File Name: 200724

Peter Hallahan
Committee Secretary
Senate Economics Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Email: economic.sen@aph.gov.au

22 May 2007

Dear Committee Secretary,

INQUIRY ON TAX LAWS AMENDMENT (2007 MEASURES NO. 3) BILL 2007

The Association of Superannuation Funds of Australia Ltd (ASFA) is pleased to make this submission to the Senate Economics Committee's Inquiry on Tax Laws Amendment (2007 Measures No. 3) Bill 2007 ("the Bill").

ASFA wishes to comment on Schedule 4 of the Bill. This Schedule seeks to implement the 5 April 2007 announcement by the Minister for Revenue and Assistant Treasurer, the Hon Peter Dutton MP that superannuation death benefits paid to non-dependants of ADF personnel, Australian Federal Police including Australian Protective Service Officers, and state and territory police killed in the line of duty (or as a result of injuries sustained in the line of duty) would be tax free. This measure would be retrospective from 1 July 1999.

ASFA does not oppose the measure. However, ASFA wishes to raise a related issue about the tax treatment of death benefits paid to non-dependants.

Under the Government's recent superannuation changes commencing 1 July 2007, there remain different tax rates depending upon whether the taxable component of a superannuation death benefit is paid to a dependant or non-dependant. If paid to a dependant, it is free of tax but, when paid to a non-dependant, it is subject to at least 15 per cent tax. This is even when the deceased member is age 60 or over and able to withdraw their entire lump-sum superannuation benefit (including the "taxable component") tax-free.

There should be consistency of taxation for the benefits of deceased members age 60 and over.

SECRETARIAT

Piccadilly Tower
Level 19
133 Castlereagh St
Sydney NSW 2000

PO Box 1485
Sydney NSW 2001

T + 61 2 9264 9300

F + 61 2 9264 8824

outside Sydney
1800 812 798

ASFA recommends that consideration be given to permitting death benefits to be paid tax-free where the member dies at age 60 or above, regardless of whether the recipient is a dependant or non-dependant under the ATO definitions.

If you have any questions or comments on this submission, please feel free to contact me on 02 9264 9300 or by email on bpragnell@superannuation.asn.au.

Yours sincerely,

Dr Brad Pragnell
Director of Policy and Best Practice

SECRETARIAT

Piccadilly Tower
Level 19
133 Castlereagh St
Sydney NSW 2000

PO Box 1485
Sydney NSW 2001

T + 61 2 9264 9300

F + 61 2 9264 8824

outside Sydney
1800 812 798