

Appendix 15

Chronology of superannuation policy announcements, events and inquiries¹

1983-2002

1983 – July

TERMINATION PAYMENTS

New tax treatment for bona fide redundancy early retirement and invalidity payments. Tax instalments from Eligible Termination Payments (ETPs) pre-July 83 and post-June 83 components. Tax relief on roll-overs within 90 day roll-over period Statement of Termination Payment. Tax rates on post-June 83 component limited by means of rebate. New tax rules for rebates on pre-15 August 1978 unused long service and annual leave.

1985 – September

AWARD BASED SUPERANNUATION

Government/ACTU agreement reached on productivity (award) based superannuation for the majority of workforce.

1985 – December

JOINT MINISTERIAL STATEMENT

Released for comment on proposed operating standards that occupational superannuation schemes must meet to qualify for income tax concessions.

1986 – June

TREASURER'S STATEMENT

Establishment of the Insurance and Superannuation Commission announced.

1 For more detail on legislative amendments to superannuation, 1988-2001, see *Submission 148*, ATO, Attachment B.

Operating standards for access to tax concessions by super funds. Approved Deposit Funds (ADFs) and pooled super trusts announced.

1987 – November

INSURANCE AND SUPERANNUATION COMMISSION (ISC)

Legislation establishing the ISC enacted. Functions transferred from Treasury and ATO to ISC Australian Actuary. Insurance Commissioner and Life Insurance Commissioner amalgamated.

1988 – May

ECONOMIC STATEMENT

New regime for limiting tax concessions on ETPs pensions and annuities Reasonable Benefit Limits (RBLs) announced. New taxation arrangements for superannuation funds announced.

1988 – July

INCOME TAX

New rules to limit marginal tax rate on ETPs, including concessional components, pre-July 83 and post-June 83 components limited by means of rebates based on age, year of receipt and period of service or fund membership.

Part IX of ITAA commences new regime for taxing the income of complying superannuation funds. ADFs and pooled superannuation trusts taxation of employer contributions.

Complying status determined by ISC.

1990 – July

REASONABLE BENEFITS LIMITS

New regime managed by ISC. Reporting by payers of ETPs above threshold, pensions and annuities. Measurement of aggregated benefits against highest average salary based limits. Concepts of counted amounts qualifying amounts, excessive components. ISC Determinations required for completion of tax returns. Compulsory commutation of excessive pensions and annuities to ETPs. Grandfathering of pre-July 1990 reasonable benefit multiples and 15 February 1990 roll over balances.

1991 - February

1991/92 BUDGET

Superannuation Guarantee announced. Information paper released. Changes to access deductions for personal contributions announced.

TREASURY/ATO/ISC REVIEW

Development and review of proposals to simplify tax treatment of ETPs pensions and annuities.

1991 – June

SENATE SELECT COMMITTEE

Senate Select Committee on Superannuation established on 5 June 1991 to inquire into 17 issues including the taxation of superannuation vesting of benefits, prudential controls, superannuation simplification, adequacy of public education and the Superannuation Guarantee.²

61 reports and papers issued from June 1991 to November 2002 (see **Appendix 16**).

1992 – June

SECURITY IN RETIREMENT³

Statement made 30 June 1992. New RBL regime administration moves to ATO. Preservation of benefits, new pension and annuity standards to be met for access to tax concessions by payers and payees. New rules for tax concessions on contributions by employers self employed and employees. Pension and annuity rebate changes exclusion of excessive benefits from rebates, removal of 90 day roll-over period, modification of roll-over elections revised rules for tax and RBL treatment of invalidity, bona fide redundancy, early retirement payments and death benefits.

2 Select Committee on Superannuation also appointed 13 May 1993, 29 May 1996, and 14 March 2002; Select Committee on Superannuation and Financial Services appointed 22 September 1999, with effect from 11 October 1999.

3 *Security in Retirement – Planning for Tomorrow Today*, Statement by the Hon John Dawkins, MP, Treasurer, 30 June 1992.

1992 – July – ongoing

SUPERANNUATION GUARANTEE

Legislation effective from 1 July 1992. The legislation generally required employers to provide a minimum superannuation contribution of 3 per cent of earnings where the employee earned more than \$450 in a month. The rate increased from 3 to 9 per cent by 1 July 2002.

1992 – October

STRENGTHENING SUPER SECURITY

New policy announced on prudential requirements to be met by super funds etc for complying status, increased investigative powers for the ISC, higher standards of duty on fund trustees and managers.

1993 – JuneFITZGERALD REPORT ON NATIONAL SAVINGS⁴

Public recommendations on increasing national savings include extensions of super guarantee to personal contributions, self-employed with SGC, raising preservation ages, restrictions on ETPs general incentives to encourage household savings.

1993 – JulyEPAC⁵

Commissioned study for Economic Planning Advisory Committee (EPAC) on the economic and social consequences of Australia's ageing population, including the Superannuation Guarantee and taxation of retirement benefits.

1994 – June

4 *National Saving, A Report to the Treasurer*, V W FitzGerald, Allen Consulting Group, June 1993.

5 *Arising from Economic and social consequences of Australia's ageing population – preparing for the 21st century*, papers presented to an Office of EPAC seminar held in Canberra on 25 September, 1992.

TREASURER STATEMENT ON SUPERANNUATION POLICY

New policy to prevent erosion of small amounts of superannuation. Establishment of member protection rules for accounts of less than \$1,000, and of an ATO holding mechanism to assist employers making small superannuation contributions on behalf of their employees. New rules proposed on extended use of Tax File Numbers (TFNs) for identification, amalgamation and transfer of superannuation accounts, capital gains tax relief and retention of fund earnings bases where superannuation funds merge. Improvements to SG rules. Rejection of some recommendations of Fitzgerald report.

1994 – July

COMMENCEMENT OF SUPERANNUATION INDUSTRY SUPERVISION ACT (SIS)

Commencement of SIS legislation (as proposed in 1992 ‘Strengthening Super Security’), providing the ISC with increased regulatory powers.

COMMENCEMENT OF SUPERANNUATION COMPLAINTS TRIBUNAL

Tribunal provides avenue for resolution of members/funds disputes.

NEW RBL RULES START

New ‘flat dollar’ RBLs start (as announced in 1992 ‘Security in Retirement’), providing a higher level of RBLs for most people, and Transitional arrangements. Formal administration of RBL in ATO.

1995 – May

SAVING FOR OUR FUTURE⁶

Government support for the phased introduction through industrial awards and enterprise agreements, where employee benefits are improved, of employee personal contributions at 3% by the year 2000, (1% in 1997-98 and 2% in 1998-99).

Government means tested contributions to match undeducted personal contributions by employees and the self employed at 1% of Average Weekly Ordinary Time Earnings (AWOTE) for 1997-98, 2% of AWOTE for 1998-99 and 3% of AWOTE for 1999-2000.

6 *Saving for our Future*, Statement by the Treasurer, the Hon Ralph Willis, MP, May 1995.

1996 – February

COALITION POLICY – 19 February 1996

‘Super for all – Security and Flexibility in Retirement’.

Range of measures to open up the system including through member choice of super fund.

1996 – August

SUPERANNUATION CONTRIBUTIONS TAX (SURCHARGE)

The surcharge was effective from 20 August 1996 and originally applied to contributions made by, or on behalf of, people who had annual income (taxable income plus employer and tax deductible personal contributions) exceeding \$70,000.

The surcharge was phased in over the income range \$70,000 to \$85,000 where the maximum 15 percent rate applied. The annual income range is indexed annually to movements in AWOTE. Advance instalments were originally required.

1997 – MarchWALLIS REPORT⁷

Wallis Report led to major program of restructuring and rationalisation in regulation of financial sector

1997 – May

SAVINGS: CHOICE AND INCENTIVE

The introduction of a broadly based savings rebate available to people who make personal (undeducted) superannuation contributions, and/or who earn net personal income from other savings and investments.

The rebate was to be phased in at a rate of 7.5 percent from 1 July 1998, rising to 15 per cent from 1 July 1999, resulting in a maximum tax rebate of \$225 in 1998-99 and \$450 the following year.

7 *Australian Financial System Inquiry, Final Report* (Wallis Report), March 1997.

1997 – July

RETIREMENT SAVINGS ACCOUNTS (RSAs)

RSAs are provided by banks, building societies, credit unions, life offices and prescribed financial institutions. RSAs are intended as a low cost, low risk, savings product which employers can use as an alternative for employee super contributions. Individuals may also make contributions.

1998 – July

NEW REGULATORY BODIES

Legislation establishing the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC) enacted. Functions transferred from the ISC.

1999 - July

SPOUSE REBATE

From 1 July 1999 taxpayers have been provided with rebates in respect of super contributions for low-income spouses. The maximum \$3,000 rebate applies for spouse contributions where the spouse earns less than \$10,800. The rebate is reduced by \$1 for each \$1 of income until phased out at income \$13,800.

1999 – July

PRESERVATION

From 1 July 1999 all contributions (employer and member) have been preserved within the superannuation system until at least age 55.

1999 - October

SMSFs TRANSFERRED TO ATO

In 1999, the SIS Act was amended to establish a new category of small superannuation funds with fewer than five members, to be called self-managed superannuation funds (SMSFs). APRA's responsibility for the regulation of SMSFs was transferred to the ATO from October 1999.

2000 – July**A NEW TAX SYSTEM**

As part of its ‘New Tax System’ policy the Government introduced a 10 per cent Goods and Services Tax (GST) and reduced personal income tax rates from 1 July 2000. The savings rebate was also abolished.

2001 – July**SENIOR AUSTRALIANS TAX OFFSET (SATO)**

SATO ensures that every single Australian of age pension age can have income up to \$20,000 without paying tax or the Medicare levy. Senior couples can have combined incomes of up to \$32,612 without paying tax.

SPLITTING OF SUPERANNUATION BETWEEN DIVORCING COUPLES

Regulations were made that facilitated the splitting of super between a member of a super fund and their spouse when they separate.

2001 - September**FINANCIAL SERVICES REFORM (FSR)**

The FSR Act 2001⁸ introduced a regulatory framework covering a wide range of financial products, including general and life insurance, superannuation, deposit accounts, and means of payment facilities.

2001 – November**A BETTER SUPERANNUATION SYSTEM – COALITION POLICY NOVEMBER 2001**

Proposed a range of measures designed to make superannuation more attractive and safer. These included co-contributions matching contributions from low income earners; reductions in the surcharge, splitting contributions between spouses; and increasing deduction limits for the self-employed.

8 Act No 122, 2001, assented to 27 September, 2001; some provisions to commence on a day fixed by a proclamation, namely 11 March 2002.

2001 – December

PRODUCTIVITY COMMISSION SIS REVIEW⁹

In December 2001, the Productivity Commission reported on its review of SIS in the context of National Competition Policy. The review proposed a number of measures to remove barriers to competition, reduce compliance costs, and enhance licensing of superannuation entities.

2002 – May

INTERGENERATIONAL REPORT¹⁰

Provided information of the budgetary implications of an ageing population in the health, social security and aged care areas over the next 40 years.

2002 – October

WORKING GROUP ON SAFETY OF SUPERANNUATION¹¹

In October 2002 the Government responded to the recommendations of the Superannuation Working Group. The Government indicated that it supported the key recommendations relating to the APRA licensing of trustees of superannuation entities.

9 *Review of the Superannuation Industry (Supervision) Act 1993 and Certain Other Superannuation Legislation*, Productivity Commission, Inquiry Report No 18, 10 December 2001.

10 *Intergenerational Report 2002-2003*, Budget Paper No 5, Circulated by the Hon Peter Costello, MP, Treasurer, 14 May 2002.

11 *Options for Improving the Safety of Superannuation*, Report of the Superannuation Working Group (Mercer Report), 28 March 2002, released 28 October 2002.

