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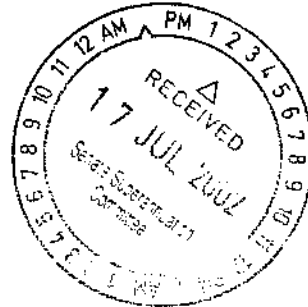
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INVESTOR group

Financial
Services

July 15 2002

Ms S Morton
Select Committee on Superannuation
Parliament House
CANBERRA ACT 2600



Dear Ms Morton

Thank you for your July 4 letter and attached copies of the transcript of evidence given to the Public Hearing. I have no corrections.

During the hearing I was asked to respond to a question on notice put forward by Senator John Cherry re alternative calculations (or suggestions) to raise the revenue now generated by the surcharge.

First and foremost I am against the surcharge in principle like every sensible person in the industry.

It is estimated to raise \$820m by the 2002-3 Budget Paper No. 1. The surcharge could well be depriving millions of superannuation fund members of much of this amount because of the inordinate volume and complexity of additional administration placed on fund administrators, which is paid for by the members on top of this is the huge cost of collection by the Australian Taxation Office.

The range of alternates we offer to the committee for serious consideration is:

- | | Estimated
Savings
\$ |
|--|----------------------------|
| 1. Cease the ability of a taxpayer to fund, not one Maximum Deductible Contribution pa but two as currently allowed. | 10m |

Is a small saving but an important one for equity.

- | | |
|---|--|
| 2. Increase the top personal marginal rate of tax by 1%, from 47% to 48%. | |
|---|--|

As total individual income tax revenue is estimated to be \$93,031m in 2002-03 or well over 100 times the surcharge, this small, **simple** measure alone could generate very significant revenue, maybe:

300m

and/or

Introduce a new 50% personal income tax bracket for those earning in excess of say \$150,000.

3. Reduce Maximum Deductible Contributions by 10%.

The 2002-3 Budget papers estimate the receipt of \$3840m from Contributions and earnings taxes. Our reasoning is that probably 95% of this arises from contributions and maximums possibly account for 10% of the contributions tax.

Therefore possible savings: 365m

4. The May budget announced the reduction in Surcharge rate to 13.5 per cent in 2002-03, 12 per cent in 2003-04 and 10.5 per cent in 2004-05.

Although the measure has been defeated in the Senate the measure was costed into the budget and the government was however willing to "stand" these revenue losses:

2003-04	2004-05	2005-06	
50m	120m	200m	Say 120m

5. Effectively increase contributions tax from 15% to 30% for tax deductible contributions over say \$50,000 pa. 200m

Rather than collect this levy/surcharge from the superannuation fund following a circuitous and cumbersome route, collect it directly via the income tax return of the individual.

This is the least preferable alternative but still better than the dreaded surcharge.

Our estimated revenue raisings are little more than hopefully intelligent estimates but they should total more than the surcharge now raises and are no doubt able to be costed by Treasury who have access to data we do not.

Measures 1,2,3 and 5, at least, should appeal to the proponents of the need for a greater equity, sufficient maybe to ensure passage through the Senate.

995m

Importantly the measures are:

- Equitable
- Simple
- Capable of eliminating possibly \$820m now wasted!

Yours sincerely



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Chairman