



Investment & Financial Services Association Ltd

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19 June 2002

Ms Sue Morton
Secretary
Senate Select Committee on
Superannuation and Financial Services
Parliament House
CANBERRA ACT 2600

Dear Ms Morton

Taxation Laws Amendment (Superannuation) Bill (No.2) 2002
Superannuation Guarantee Charge Amendment Bill 2002

The Investment & Financial Services Association represents Australia's leading investment managers and life insurance companies. Our 100 members hold more than \$670 billion in assets under management on behalf of nine million Australians who have superannuation and managed funds.

These Bills, if passed, would give effect to those commitments made in the 2001 election in "A Better Superannuation System" that require changes to principal Acts. Other changes to take effect from 1 July 2002 can be effected by regulations.

Quarterly Superannuation Guarantee

IFSA supports the change from an annual to a quarterly requirement to pay superannuation guarantee (SG) contributions. We note that the vast majority of employers are already making payments more frequently than quarterly.

IFSA also supports the adjustments to the penalties regime to take account of the more frequent payments requirement. Changes to remove the concept of a contribution period, and other time periods, and their replacement by quarters, are useful simplifications as well.

IFSA does not support the change in the threshold for payment from \$450 earned in a month to \$1350 earned in a quarter. This change would reduce compulsory superannuation coverage: people particularly affected by this reduction would be those working in part time or temporary positions with multiple employers. Many of these people would be young, and so this change would run directly counter to the

principles of extending superannuation coverage , such as in the Government's Superannuation for Life initiative.

Superannuation surcharge reduction

IFSA strongly supports the reduction of the superannuation surcharge as provided for in this Bill. We have long supported the wind-back of front-end taxes, and welcome this as a first step.

Reduction in the surcharge percentage does not necessarily have a negative impact on equity in the taxation of superannuation. Superannuation is a lifetime savings vehicle, and equity in its taxation is achieved by lifetime measures, such as the Reasonable Benefit Limits. In addition to lifetime limits, the annual limits contribute to equity: contributions to superannuation above the Maximum Deductible Contribution (MDC) amounts are still taxed at a higher rate than those under the MDCs.

The superannuation industry has long called for the reduction or abolition of the surcharge. Now that legislation has been introduced to respond to that call, it should be passed into law.

Increase deductions for self-employed

IFSA supports the increase to the deductions limit for self-employed people. This limit is not automatically indexed, as are many other amounts in the superannuation system, and this adjustment is probably overdue.

Contributions for children

IFSA supports the changes to facilitate the acceptance of contributions made on behalf of children aged less than 18. Since the principal changes will be effected by amendments to the Superannuation Industry (Supervision) Regulations, we will not be commenting on them for these Bills.

Yours sincerely



Richard Gilbert
Deputy Chief Executive Officer