SUBMISSION TO THE TAX WHITE PAPER

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I am a registered Self Managed Superannuation Fund Auditor.

EXEMPT CURRENT PENSION INCOME.

In the course of my audit work I take note of the cost to the community of the legislation which introduced the income tax adjustment for superannuation funds known as exempt current pension income. The income tax savings enjoyed by the superannuants, having turned the age of 60 years is considerable.

I understand the need for there to be an incentive for people to invest in their superannuation whether by virtue of the superannuation guarantee or by making personal concessional or non-concessional contributions within the prescribed limits.

Concessional contributions are taxed at 15% when made and the fund earnings are taxed at 15% during the period when the fund is accumulating and growing. This concessional income tax rate contributes to the growth of the fund.

However, currently at the age of 60 years and on retirement, there is no further income tax on the member's account balance earnings. This creates a very unfair situation and is detrimental to the rest of the community.

I recommend that the legislation be changed to eliminate the exempt current pension income adjustment. The fund will then have been taxed at a concessional rate on contributions into the fund and on the earnings of the fund. The resultant balance in the members account, then should represent the member's savings pool and suffer no further taxation on payment of benefits.

As an 83 year old SMSF Auditor, who finds it necessary to work in the absence of a superannuation fund, I find myself taxed at full income tax rates. This is a galling position to be in when compared with the 60 year old superannuant, on the golf course, being in receipt of tax free passive income.

I believe there needs to be a change in legislation to address this imbalance, and create a level playing field for all members of the community. This is especially so if the government wishes to see people continue to work beyond normal retirement age.

PENSION DRAW DOWNS

There exists a minimum percentage for the annual draw down of the member's account balance, but there is no upper limit. The superannuation regime will ultimately fail in its strategic purpose as the accumulated fund balance may be quickly dissipated and no longer there to fund retirement.

ABILITY TO MAKE CONTRIBUTIONS BEYOND AGE 70 YEARS

With the aim of having people work beyond normal retirement age it would be advisable to relax the regulations relating to continuing contributions to a superannuation fund. If an individual is able to demonstrate that he/she is actively in regular employment, I can see no reason why a superannuation contribution cannot be made. In making such a contribution, the individual is able to minimise the income tax impost and at the same time build a retirement fund. To deny such a contribution places the individual in a situation of double jeopardy – no income tax deduction and no accumulating retirement fund. This is the very situation which I experienced. My communication to Mr Costello in 2007 won me no concessions or change to the regulations.

Dated the 18th July, 2015

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Arthur Leonard Walters