

# Submission on Discussion Paper – Objective of Superannuation

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Date - 06 APR 2016

To,

Division Head  
Retirement Income Policy Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Hi,

Please note my submission to the Discussion Paper on the Objective of Superannuation as below.

## **Question No. 1. Do you agree with the objectives recommended by the FSI? Why?**

No I don't agree with the objectives recommended by the FSI. In my opinion the objective of the Superannuation should be to create a fund to be accessed only upon retirement which would generate adequate income in order to meet the cost of living and other expenses of a person as appropriate to his standards of living, subject to a minimum standard of living as per Australian way of life.

The Age Pension should be provided to only in case of a person if he or she is unable to create a fund to generate enough income as required for a minimum standard of living as per Australian way of life due to any of the following specific reasons. And consequently the amount of Age Pension should only be to cover that gap.

- He or she being migrated to Australia at a later stage of life without adequate savings while migrated and could not contribute adequate amount to the Superannuation Fund from his normal source of income as expected
- He or she being suffered from disability or prolonged illness which caused inadequate income and thereby could not make adequate contribution amount as expected
- He or she being met with an accident, which impacted significantly in reducing his or her income and thereby reduced contribution to the Superannuation Fund
- Any other similar reasons

**Question No. 2. If you do not agree with the FSI recommendation, what do you think should be the objective of superannuation? Why? What are the implications of this objective?**

As outlined above, the objective of Superannuation should neither be profiteering through tax engineering nor should it only be to meet government legislation. The objective of Superannuation is to ensure that, every person is provided with a guaranteed amount of income post a certain age (which can be chosen by the retiree) and to help the person build a fund to generate such amount of income by providing a minimum guaranteed income.

Unless the government cannot ensure a minimum guaranteed rate of income, the government cannot enforce that, the objective of Superannuation is only to provide for retirement income and not profiteering through tax engineering.

Further, in order to ensure the above, the government should legislate to the following effect, so that the above objective is attained.

- There should be a National Superannuation Fund created and supported by the Federal Government. The Government should guarantee a minimum rate of return in the Fund based on Industry standards in line of Future Fund.
- If a person does not prefer any private superannuation fund then he or she can invest in Government guaranteed National Superannuation Fund
- This would ensure everyone that, at their choice, they can guarantee their superannuation entitlements at retirement by contributing a certain amount during their working life
- Every person should be responsible to contribute for adequate superannuation funds based on a minimum standard of living as per Australian way of life unless being prevented by circumstances as mentioned earlier
- The above provisions would ensure that, no one is dependent on Age Pension unless there are special circumstances
- In addition to the above, the government should ensure that, the Superannuation does not become a tool for tax minimisation and tax engineering where by a certain group of privileged persons take advantage of the system to grow their wealth by paying lesser tax than they should otherwise. The following legislative changes should be considered in order to ensure this
  - The current provisions of Non-concessional contribution to Superannuation should be gotten rid of and similarly, the three-year bracket of pooling of non-concessional contribution cap should be removed
  - Any additional contribution to Superannuation in addition to normal concessional contribution should be taxed at normal rate and their subsequent income should also be taxed at normal rate.
  - The current concessional contribution limits should be raised in order to facilitate people creating their Superannuation fund to the extent it is required so that, they can generate adequate income upon retirement for an appropriate cost of living.

### **Question No. 3. In which piece of legislation should the objective be legislated and why?**

The following legislations should be amended in order to meet the required changes as per the points discussed earlier.

1. Governance of Australian Government Superannuation Schemes Act 2011
2. Superannuation Legislation (Consequential Amendments and Transitional Provisions) Act 2011
3. The rules of eligibility regarding Age Pension
4. Superannuation Act 2005
5. Superannuation Guarantee (Administration) Act 1992
6. Superannuation Industry (Supervision) Act 1993
7. Income Tax Assessment Act, 1936

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With Regards,

Submitted by,

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