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13 May 2013

Manager
Contributions and Accumulation Unit
Personal and Retirement Income Division
The Treasury
Langton Crescent
PARKES ACT 2600

Via email: ConcessionalContributionsCaps-2013@treasury.gov.au

Dear Manager,

Superannuation Concessional Caps - exposure draft legislation

COTA Australia welcomes the opportunity to provide comment on draft legislation to implement the higher concessional superannuation contributions cap that was announced on 5 April 2013.

COTA Australia (COTA) is the national policy arm of the eight State and Territory COTAs. Around Australia COTAs have over 1,000 member organisations with a combined membership in excess of 500,000, in addition to a combined individual membership of around 40,000 older people.

COTA welcomed the announcement by the Government that it was going to increase the cap for people over 60 years to \$35,000 in 2013-14 and for people over 50 from 2014-15. We are pleased that the draft legislation has come forward so promptly. We had argued for the proposed higher cap of \$50,000 pa and would still prefer to see this as the amount, but support the \$35,000.

We support the indexation of the general concessional cap so that it retains its value as income increases over time and as the compulsory contributions rise over time from 9 to 12 per cent. This will certainly provide an incentive for people to contribute more than just the compulsory amount.

However we do not support the proposition that the higher concessional cap is temporary and would be removed once the general cap reaches \$35,000, estimated to be in 2018. The rationale for having a higher cap is to encourage people to improve their retirement savings at a time in their lives when they are more able to do so through making higher voluntary contributions.

There will still be people in 2018 that have not received superannuation contributions throughout all of their working life and are still struggling to regain the ground they lost as a result of the global financial crisis. The need for such an incentive does not disappear with increases in the general cap.

COTA strongly recommends that the time limit on this measure be removed and that the \$35,000 be indexed in the same way as the general cap thus keeping the same differential as currently exists.

We support the proposed change to the definition of eligible age, moving it to their age as of 30 June in the previous financial year. This gives greater certainty to people planning their contributions for the coming year and reduces the likelihood of excess contributions and means they have reached the eligible age for the whole financial year which is certainly simpler for consumers to understand and work around.

For further information regarding this submission please contact Jo Root, National Policy Manager, on (02) 6282 3436 or jroot@cota.org.au.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Ian Yates', written over a large, faint, light-colored watermark or background shape.

Ian Yates AM
Chief Executive