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Manager
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The Treasury
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By email: ConcessionalContributionsCaps-2013@treasury.gov.au

Dear Sir / Madam

Tax and Superannuation Laws Amendment (2013 Measures No. 3) Bill 2013: Superannuation concessional contributions cap

CPA Australia represents the diverse interests of more than 144,000 members in 127 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. We welcome the opportunity to provide feedback on this exposure draft legislation.

This submission has been prepared with the assistance of CPA Australia's Retirement Savings Centre of Excellence (CoE). The CoE is a member based committee that includes leading experts from the superannuation industry. Our superannuation experts work across the whole of the superannuation industry ranging from some of the largest industry, corporate and retail funds through to self-managed superannuation funds.

CPA Australia recognises the need to properly target but limit the taxation concessions available within the superannuation system. While it is appropriate to limit the amount of money that can be contributed by or for an individual to the superannuation system on a concessional basis, we believe the current contribution caps, particularly the concessional contribution caps, are both confusing and inflexible. As a consequence they prevent many ordinary Australians from saving adequately through superannuation in order to maintain an appropriate standard of living in retirement. Further, the penalties for exceeding the caps are excessive compared to penalties in other areas.

While the halving of the concessional contribution cap from 1 July 2009 may have reduced some of the disproportionate tax concessions enjoyed by high income earners, it also reduced the ability of many Australians to adequately save for their own retirement.

Many people, particularly the self-employed, have 'lumpy' income and only contribute to their superannuation when times are good. Others, in their late forties or early fifties, having paid off the mortgage and paid for their children's' education, look to put the extra funds into their super to make up for previously inadequate contributions. The reduction in the contribution limits also came at a time when many Australians were only just starting to see the value of their superannuation recover from the impact of the global financial crisis and people, particularly those close to retirement, were looking to get more money into their super to make up for that loss before they retire.

While aimed at limiting the concessions available to high income earners, over 30,000 people exceeded the contribution caps in both 2007-08 and 2008-09 and over 70,000 exceeded them in 2009-10 after the concessional contribution caps were halved. This suggests the impact is much greater than the policy change intended, capturing many middle income earners, and that the caps are simply too confusing for many people to understand and comply with.

CPA Australia believes the contribution limits are too low and inflexible and need to be restored to their previous limits. We also believe the government should consider the introduction of a 'lifetime' concessional contribution cap whereby any 'unused' contribution limit, i.e. the amount above the actual contribution made, in one year could be accumulated and added to the limit in later years. At the very least a rolling cap, similar to the 'bring forward' rule for non-concessional contributions cap should be considered.

Specific comments on the amendments

We believe that the temporary higher concessional cap of $35,000 should be extended to individuals aged 50 and over from 1 July 2013. This measure would assist in addressing the current problem of individuals, within an aging workforce, being unable to adequately self-fund their retirement within the current contribution limits.

We also believe that the substantially self-employed contribution rule should also be abolished, which would ensure the higher temporary concessional contribution cap of $35,000 is available to a greater percentage of the workforce aged 50 and over.

Importantly, these changes are only a temporary measure as the higher cap will cease when the general concessional cap reaches $35,000. The age-based contribution limits, in effect prior to 1 July 2007, and the superannuation contribution caps implemented in 2007 both reflected the fact that individuals aged 50 and over are generally in a better position to contribute more to superannuation to save for their retirement.

We acknowledge it would have been difficult to administer a higher concessional contributions cap for individuals aged 50 years and over with superannuation balances below $500,000. However, this measure was intended to be implemented as a long term measure not a short-term fix.

CPA Australia believes that even with the proposed increases, the contribution limits are too low and need to be restored to their previous limits.

If you have any questions regarding the submission, please do not hesitate to contact me via email on Keddie.waller@cpaaustralia.com.au or 03 9606 9816.

Yours sincerely

Keddie Waller
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