Taxation and Quantum of Superannuation

Taxation of Superannuation

I have been reading some of the submissions to your Review Panel. An underlying theme which seems to be emerging is the writers are proposing that those with more super should pay more tax. Whilst the writers do not disclose their level of superannuation or income, it would appear that they are from the lower income/superannuation cohort.

I would like to remind the Panel that there is already a sliding scale of significant taxation on superannuation. Firstly, there are different tax scales on contributions:

> For concessional contributions (before tax contributions) for those earning under $250,000 pa (only twice average employee earnings) the tax is 15%. For those earning over $250,000pa Division 293 tax applies and concessional contributions are taxed at a further 15% making a tax take of 30%.
>
> For non-concessional contributions (after tax contributions) these are subject to the normal marginal tax rates, so low income earners contributions are reduced by 21% (19%+2% Medicare levy), whilst contributors with incomes over $180,000, their contributions are reduced by 47% (45%+2% Medicare levy).

Secondly there are taxes on earnings in pension mode.

> For pension accounts under $1.6 Million (which presumably would be most of your contributors), the tax is zero.
>
> For pensioners with accounts in excess of $1.6 million, under the new arrangements introduced in 2017, the balance over $1.6 million must be reverted to accumulation mode and is taxed at 15%.

So there you have it. There are already sliding tax arrangements on Superannuation pensions and we don't need any more.

Please no further taxation of superannuation and grandfather any future changes

Quantum

I also note that some writers are decrying that some people have "millions" in super and somehow that is unfair, despite these few have worked hard and saved hard to make their contributions of their money. They made their contributions under the rules of time and under the advice from successive Governments that there would be no change to the rules and hence they should be allowed to remain as is.

I would expect that the number of people with "millions" in their accounts are few and far between and are people who have provided great service to the community and who are entitled to a better than average retirement. The changes to permitted superannuation contributions brought in in 2017 will ensure that few if any people in the future will be able to accumulate $1.6 million.

The 1.6 million limit is not particularly generous. I note that the Association of Superfunds Australia (ASFA) estimates for their parsimonious version of a comfortable retirement requires $63,000 pa, which relies on pensioners having concession cards. $63,000 at 5% drawdown would require a pension account amount of $1.26 million. We live modestly in a modest apartment and drive an 8-year-old car, our basic expenses are in excess of $100,000 pa (we don't get concession discounts) which would require a pension account in excess of $2.0 million.

Please leave alone the arrangements as to how much people accumulate in their superannuation accounts alone.

In Conclusion

I would ask the panel to recognise that retirement is like a 30 year journey with no pit stops to enable retirees to replenish their funds. We make our arrangements for what we see are our best guess at expenses for that journey and save and invest our funds based on the promises of Governments at the time of our retirement including their promises that there will be no changes for the duration of that journey. I ask you to honour those promises by recommending that any future changes be grandfathered.