

Hi

I offer the following comments on the consultation questions.

Your sincerely

Dr Russell Ayres

1. What do you see as the practical benefits or risks associated with legislating an objective of Australia's superannuation system?

Transparency is always better than the alternative. Making a legislated declaration is an appropriate way to achieve that goal in relation to the regulation of superannuation. The principal risk is that the complexities and ambiguities inherent in any superannuation system cannot be captured in a few words, raising the prospect that people will, wilfully or otherwise, misinterpret the declaration. To minimise that risk, the declaration should be underpinned by a set of explanatory notes that clarify as far as possible the ambiguities and details that remain in the 'gaps' of the declaration.

2. Does the proposed objective meet your understanding of the objective of the superannuation system in Australia?

No. There are two concerns:

A. The declaration should state that superannuation is not designed as a tax-effective capital accumulation mechanism for individuals' estates. There is a small but growing group of wealthy individuals who are clearly using superannuation in this way.

[Note: This suggestion has potential policy implications. As a matter of policy (so technically beyond the terms of this consultation), I believe a better superannuation system for Australia would:

- (a) not tax contributions or capital gains in superannuation accounts;
- (b) tax all income from superannuation at the individual's full marginal income tax rate (with no age based concessions); and
- (c) fully tax capital gains that accrue to the individual's estate from superannuation.]

B. The term 'alongside' in the draft declaration is perhaps necessarily ambiguous, given the complex interactions between superannuation and the aged pension and welfare systems. This is one of the aspects of the declaration that will need clarification in supporting documentation, as suggested in response 1 above. I certainly do not support the earlier review's recommendation that superannuation be viewed as a substitute for the aged pension. The sustainability and viability of both superannuation and the aged pension requires that they be treated as complementary structures, not as competitors for policy support.

3. Is the proposed approach to enshrining the objective in legislation appropriate? Are there any alternative ways the objective could be enshrined?

It is best to legislate this objective, as the parliament is the most appropriate - if not perfect - source of authority for such a statement. It would lack stability over time if it were produced by executive fiat alone.

4. What are the practical costs and benefits of any alternative accountability mechanisms to the one proposed?

I am not sufficiently well informed to comment in detail on this, except to say the accountability mechanisms need to be as open and transparent as possible, to maximise public trust in this vital system.