

13 May 2013

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

Email: [ConcessionalContributionsCaps-2013@treasury.gov.au](mailto:ConcessionalContributionsCaps-2013@treasury.gov.au)

Dear Sir/Madam,

**Re: Superannuation concessional contributions caps**

The Australian Institute of Superannuation Trustees (AIST) is an independent, not-for-profit professional body whose mission is to protect the interests of Australia's \$500 billion not-for-profit superannuation sector. AIST's members are the trustee directors and staff of industry, corporate and public-sector superannuation funds, who manage the superannuation accounts of two-thirds of the Australian workforce.

We welcome this move to increase the concessional contributions cap up to \$35,000 for people turning 60 or older during the 2013-14 financial year, followed by an increase for those turning 50 or older during the 2014-15 financial year. We believe this measure to be a sensible alternative to the previously announced policy measure, which was to link any allowable contributions cap to not only a member's age (50 or over) but also to a superannuation account balance of less than \$500,000. Although previous measures that allowed taxpayers over 50 to contribute higher amounts, these were regarded as transitional measures. This implementation will see a more gradual phasing out of this higher entitlement.

In addition to our support for this measure, we offer some additional comments with regards to the exposure draft (ED).

We welcome the addition of certainty which is discussed at paragraph 1.12 of the explanatory memorandum, where the death of a taxpayer prior to their relevant birthday ceases to be an issue in the financial year to which their contributions relate.

In addition, we welcome efforts to ensure that the heightened cap remains in place until such time as indexation on the concessional cap (presently \$25,000) has caught up to the \$35,000 cap. We note the forecast date of this event is only contained on the website referring to the ED and supporting EM, but is not written into the EM itself. We have some concerns about this, given that since the contribution capping regime was implemented in 2007, the contribution caps have

been halved once and indexation has been reset twice. AIST would support stronger efforts to enshrine indexation of the contribution limits.

**Recommendation: A brought forward rule**

In 2011, 2012 and April this year, the Government recognised the issue of excess concessional contributions with the canvassing of a number of proposals designed to solve the dual issues related to Australians breaching the concessional contributions cap, as well as Australians near and looking to save more towards retirement. AIST supported the Government's proposal in 2011 to raise the concessional contribution cap to \$50,000 for individuals with total superannuation balances of less than \$500,000, and offered qualified support for the proposal in 2012 to allow taxpayers a one-off refund of up to \$10,000 in amounts contributed over the concessional contributions cap. In both instances, AIST recommended that the most elegant solution to the issues was to allow a 'brought forward' rule in relation to concessional contributions, that would work in a similar fashion to that which is available to taxpayers under 65 who wish to bring forward future years' non-concessional contributions.

In April this year, the Government announcement of an increase in the concessional cap for taxpayers aged 60 or over has partially alleviated the stress on the superannuation system that was caused by these two issues. However, the issues may not go away. Australians over 60 will still be able contribute close to their increased limit and can still be caught out by late contributions. In a pincer movement, another announcement contained within that same statement means that late contributions that would otherwise be subject to preservation might now be refundable, which may be perceived to undermine the intention of the sole purpose test, as well as efforts by older Australians to contribute larger amounts to their superannuation.

We stand by our recommendation for a modified version of the brought forward rule in relation to concessional contributions and believe that this will solve the issues identified.

If you have any further questions regarding this submission, please contact Richard Webb, Policy & Regulatory Analyst on 03 8677 3835 or at [rwebb@aist.asn.au](mailto:rwebb@aist.asn.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tom Garcia', is written over a light blue horizontal line.

Tom Garcia  
**Chief Executive Officer**