20 May 2015

Tax White Paper Task Force
The Treasury
Langton Crescent
PARKES ACT 2600

My submission is in respect of superannuation.

Summary

- Dis-aggregate mySuper products from the mainstream system and keep equity redress contained here.

  - Maintain existing taxation arrangements within mySuper but look at changing it for the remainder of the system

- Overhaul superannuation legislation to bring it into modern times

- Provide a separate regime for SMSFs and 'give it back' to Accountants.

I have been a superannuation practitioner since the introduction of the *Superannuation Industry (Supervision) Act 1993 (SISA)* commencing as an Auditor with the Insurance and Superannuation Commission (ISC) – forerunner of APRA to roll out the new legislation.

Since then, I have been involved in superannuation as an SMSF administrator. I developed a specialist team within a mid-tier accounting firm to prepare all superannuation accounts and returns for the firm. I recognised then that superannuation should be carved out of mainstream accounting work due to the high level technical requirements of it.

I moved into superannuation consulting in a Big 4 accounting firm and then moved across to financial services as a financial planner.

I am a registered SMSF Auditor.

I am the Author of Superannuation Factbook – a Thomson Reuters publication

The bio is to position myself (my comments) from a current practitioner level and one who has had experience across the full gamut of the superannuation sector.

My key issues around superannuation are:

1. Rather than tinkering around with tax tiers for superannuants based on income/wealth, super should be based on a "one system" approach and any welfare transfer occurring via the tax system. To this end, my suggestion to the Review is that superannuation income tax is increased across the board. Whether that is up to 16 or 17%,

the actuaries can determine the figure; however, intuitively it will be a panacea for government revenue shortfall.

Rebates can be provided to individuals either during the accumulation stage OR once they commence the drawdown phase or, via the means testing applicable to Centrelink assessment. The point is there are many ways that a higher tax on superannuation earnings can be compensated for lower income/asset individuals. The industry has certainly provided are loud argument that the reduced earnings from higher taxes significantly disadvantages lower income superannuants with estimates of the effects of compounding over many years. If this is the impediment for a broad based change, why isn't the sector disaggregated as per the mySuper regime?

All mySuper superannuation products could be subject to the current, 15% per annum income tax and all other superannuation vehicles could be taxed at a higher level. This then provides a choice for individuals on where they invest their super and keeps the system simple and easily understandable whilst achieving government revenue outcomes.

Any other system of setting caps and thresholds and stratifying tax levels introduces a level of complexity that weighs on the efficiency of the system and ensures that simplicity is never achieved (despite previous government objectives).

2. Likewise, rather than stratifying the pension system and applying tax to some and not others, my suggestion is that the superannuant should elect to have either the pension income tax free, or the super balance income tax free. Once again, income streams via the mySuper products will remain tax free across the board.

The introduction of specific default superannuation arrangements is a great start to embed equity across the super system but it shouldn't be the standard for all else in the system. It can easily be disaggregated and have rules applying to it that meet government policy objectives.

3. Superannuation legislation needs a thorough overhaul. SISA 1993 represented a marked improvement on OSSA however; there are numerous examples where the drafting creates unnecessary uncertainty and complication.

The basis of modern super, as an extension of industrial relations policy, is no longer as relevant as it was at the outset. Much of super law has its foundations in protecting superannuants from employers, or ensuring that the concessional tax regime isn't able to be abused by employers.

In addition, I suggest that SMSFs are carved out into their own legislation and, in addition, issues such as wholesale/retail advice criteria are specifically provided for them.

They are NOT *products*, they are investment vehicles and regardless of what the lobbyists from the industry super fund sector would have governments believe, they will remain the investment vehicle for individual and families that want a level of autonomy for their retirement investment planning. Accountants should be able to deal with SMSFs, as they

always have. The “Accountant’s Licensing” regime is overkill and just demonstrates how captivated the policy makers are by the noisy lobbyists.

I have worked in both professions and understand the demarcation line very clearly I can assure you, Accountants are better equipped to deal with SMSFs than most Financial Planners (or importantly, their compliance driven systems and processes).

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